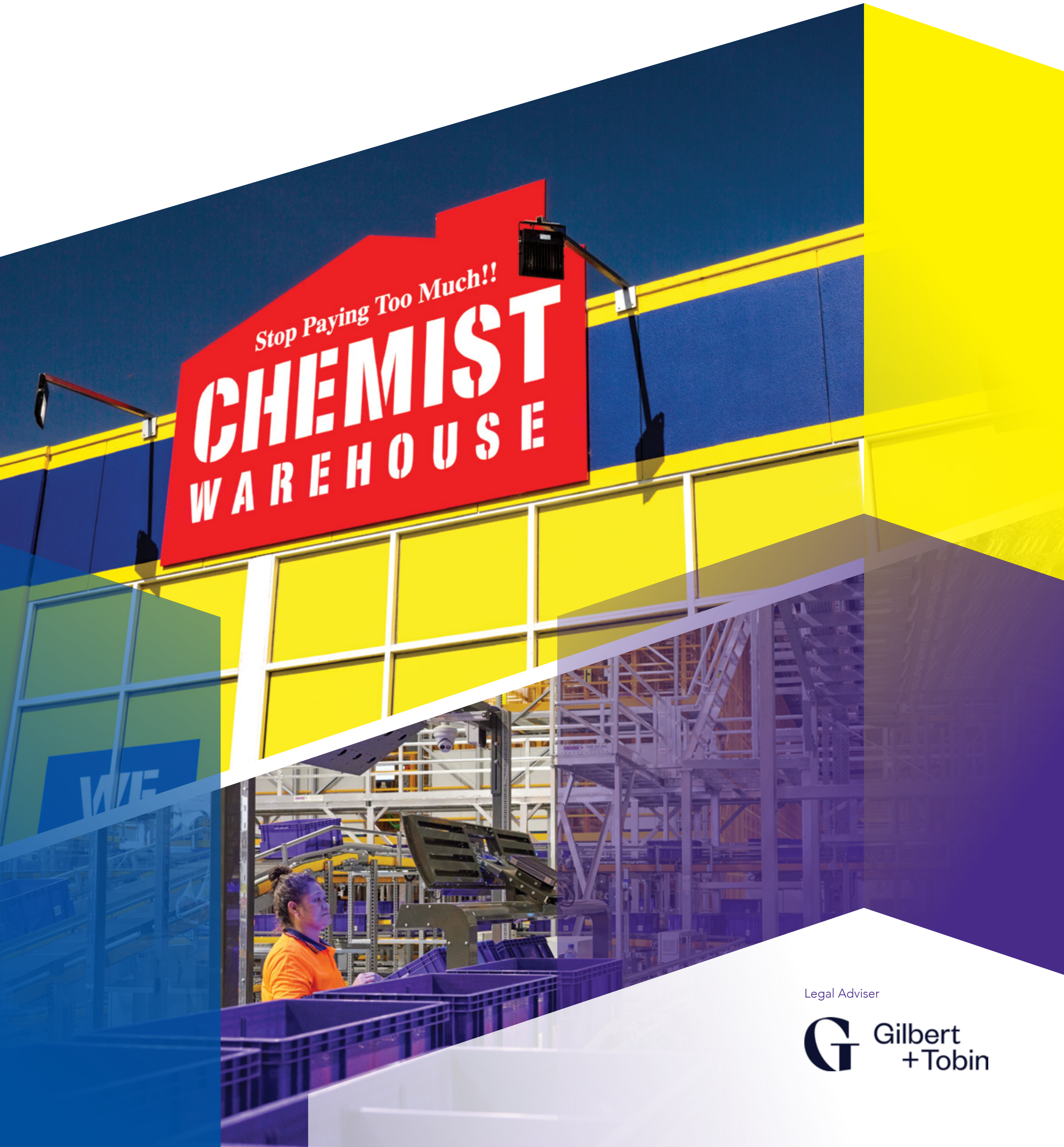
# Prospectus

Sigma Healthcare

Stop Paying Too Much!! CHEMIST WAREHOUSE DISCOUNT CHEMIST

## Sigma Healthcare Limited

ACN 088 417 403




Legal Adviser

Gilbert + Tobin

# Important notices

## Offer

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (**Offer Shares**) in Sigma Healthcare Limited ACN 088 417 403 (**Sigma**). This Prospectus is issued by Sigma.

See Section 7 for further information on the Offer, including as to details of the securities that will be issued under this Prospectus.

## Lodgement

This Prospectus is dated 10 February 2025 and was lodged with ASIC on that date (**Prospectus Date**) in connection with the "Purpose of this Prospectus" as referred to below.

Neither ASIC nor the ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

## Expiry date

No Offer Shares will be issued on the basis of this Prospectus after the expiry date, being 13 months after the Prospectus Date.

## Purpose of this Prospectus

As announced to the Australian Securities Exchange (**ASX**) on 11 December 2023, Sigma proposes to acquire 100% of the issued shares in CW Group Holdings Limited (ACN 635 851 839) (**Chemist Warehouse**) in exchange for a combination of cash and Sigma Shares (**Transaction**) by way of scheme of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) (**Corporations Act**).

The Transaction is subject to, amongst other conditions, approval by both Chemist Warehouse Shareholders and Sigma Shareholders and by the Australian Competition and Consumer Commission (**ACCC**). On 7 November 2024 the ACCC announced it would not oppose the Transaction after accepting an undertaking provided by Sigma. For further information on other conditions and the Transaction more broadly, see Section 9.2 and Section 9.3. The Transaction has been approved and all the conditions have been satisfied or waived. On the Implementation Date, Sigma will acquire 100% of the issued shares in Chemist Warehouse. Sigma will remain the listed entity and parent of the merged group following the Transaction (**Merged Group**).

One of the conditions imposed by ASX in connection with the Transaction was that "Sigma must issue a prospectus (that meets the requirements of s 710 of the Corporations Act) and lodge the prospectus with ASIC and ASX before or concurrently with the completion of the Acquisition."

This Prospectus is being issued for that purpose. The Offer contained in this Prospectus is an offer of 10 Offer Shares at an issue price of $2.90 per Offer Share to certain investors who have been invited to apply for Offer Shares (**Offer**). See Section 7 for further information on the Offer, including as to details of the securities that will be offered under this Prospectus.

This Prospectus is drafted on the basis that the Transaction is approved and completes (**Implementation**), and the business described is that of the Merged Group post-Implementation Date. If the Transaction does not complete then the Offer will not proceed and Sigma's Board and operations will continue in the ordinary course.

## Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Merged Group. In particular, in considering the prospects of the Merged Group, you should consider the risk factors that could affect the performance of the Merged Group. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in the Offer Shares. Some of the key risk factors that should be considered by prospective investors are set out in Sections 1 and 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of Sigma, the Merged Group, the repayment of capital by Sigma or the payment of a return on the Offer Shares.

## Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Sigma or post-Implementation will be owned by the Merged Group. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale or accurately represent the technical aspects of the products.

## Disclaimer and forward-looking statements

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Sigma, the Sigma Directors, the Proposed Directors, Chemist Warehouse or any other person in connection with the Offer. You should rely only on information in this Prospectus when deciding whether to invest in the Offer Shares. Except as required by law, and only to the extent so required, neither Sigma, Chemist Warehouse nor any other person warrants or guarantees the future performance of Sigma, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward-looking statements which are statements that may be identified by words such as "may", "will", "would", "should", "could", "believes", "estimates", "expects", "intends", "plans", "anticipates", "predicts", "outlook", "guidance" and other similar words that involve risks and uncertainties.

No person who has made any forward-looking statements in this Prospectus (including Sigma or Chemist Warehouse) has any intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Sigma, the Sigma Directors, the Proposed Directors and the current and future management of Sigma. Forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, Sections 4 and 5, and other information in this Prospectus. Neither Sigma nor Chemist Warehouse gives any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Sigma and Sigma's share registry, MUFG Corporate Markets (AU) Limited (**Sigma Share Registry**), disclaim all liability, whether in negligence or otherwise, to persons who trade Offer Shares before receiving their holding statement.

## Statements of past performance

This Prospectus includes information regarding the past performance of Sigma and Chemist Warehouse. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

## Financial information presentation

In relation to the Merged Group or Chemist Warehouse, all references to FY22, FY23 and FY24 appearing in this Prospectus are to the 12 months ending 30 June in the relevant year, unless otherwise indicated.

In relation to Sigma, all references to FY22, FY23 and FY24 appearing in this Prospectus are to the 12 months ending 31 January in the relevant year, unless otherwise indicated.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.2.

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Accounting Standards (as adopted by the Australian Accounting Standards Board (**AASB**)), which comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

## Market and industry data based primarily on management estimates

This Prospectus (and in particular Section 2) contains data relating to the industries, segments, sectors and channels in which the Merged Group will operate (**Industry Data**).

Sigma estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in Section 5.

Investors should note that industry and sector data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual industry or market conditions.

In addition to the Industry Data, this Prospectus uses third-party data, estimates and projections. There is no assurance that any of the third-party data, estimates or projections contained in this Prospectus will be achieved. Sigma has not independently verified such information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in Section 5.

## Obtaining a copy of this Prospectus

An electronic copy of this Prospectus may be requested from Sigma by Australian residents. The Offer constituted by this Prospectus in electronic form is available only to Australian residents within Australia and is not available to persons in any other jurisdictions, including the United States. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

Applications for Offer Shares may only be made on the Application Form. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

## No cooling off rights

Cooling off rights do not apply to an investment in Offer Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

## No offering where illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Offer Shares or the Offer, or to otherwise permit a public offering of the Offer Shares in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States. In particular, the Offer Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any State of the United States, and may not be offered or sold, directly or indirectly, in the United States, or to or for the account or benefit of, a U.S. Person, except transactions exempt from or not subject to the registration requirements of the U.S. Securities Act and any other applicable U.S. securities laws. The Offer is not being extended to any investor outside Australia.

## Privacy

By completing an Application Form, you are providing personal information to Sigma through the Sigma Share Registry, which is contracted by Sigma to manage Applications. Sigma and the Sigma Share Registry on its behalf, and their agents and service providers may collect, hold, disclose and use that personal information to process your Application, service your needs as a Sigma Shareholder, provide facilities and services that you request and carry out appropriate administration, and for other purposes related to your investment listed below.

If you do not provide the information requested in the Application Form, Sigma and the Sigma Share Registry may not be able to process or accept your Application.

The Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Sigma Shares you hold) to be included on the Sigma Share Register. In accordance with the requirements of the Corporations Act, information on the Sigma Share Register will be accessible by members of the public. The information must continue to be included on the Sigma Share Register if you cease to be a Sigma Shareholder.

Sigma and the Sigma Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Sigma Share Registry for ongoing administration of the Sigma Share Register;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- market research companies for analysing the Sigma Shareholder base; and
- legal and accounting firms, auditors, management consultants and other advisers for administering, and advising on, the Sigma Shares and for associated actions.

Sigma's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

Information contained in Sigma's register of members is also used to facilitate dividend payments and corporate communications (including Sigma's financial results, annual reports and other information that Sigma may wish to communicate to its Sigma Shareholders) and compliance by Sigma with legal and regulatory requirements.

You may request access to your personal information held by or on behalf of Sigma. You may be required to pay a reasonable charge to the Sigma Share Registry in order to access your personal information.

You can request access to your personal information or obtain further information about Sigma's privacy practices by contacting the Sigma Share Registry as follows:

**Telephone:** +61 1800 502 355 (free call within Australia), 9am–5pm (Sydney time) Monday to Friday (excluding public holidays)

**Email:** privacy.officer@mpms.mufg.com

**Address:** Attn: Privacy Officer
MUFG Pension & Market Services
Locked Bag A14
Sydney South NSW 1235

Sigma aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact Sigma or the Sigma Share Registry if any of the details you have provided change.

## Financial Services Guide

The provider of the Investigating Accountant's Report on the Financial Information is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act. The Investigating Accountant's Report and accompanying Financial Services Guide is provided in Section 8.

## Intellectual property

This Prospectus may contain trademarks of third parties, which are the property of their respective owners. Third-party trademarks used in this Prospectus belong to the relevant owners and use is not intended to represent sponsorship, approval or association by or with Sigma.

## Company website

Any references to documents included on Sigma's website are provided for convenience only, and none of the documents or other information on Sigma website, or any other website referred in this Prospectus, is incorporated in this Prospectus by reference.

## Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the glossary in Annexure C. Unless otherwise stated or implied, references to times in this Prospectus are to Melbourne time.

Instructions on how to apply for Offer Shares are set out in Section 7 of this Prospectus and on the Application Form.

If you have any questions about whether to invest in the Merged Group, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

Unless otherwise stated or implied, references to dates or years are calendar year references.

This document is important and should be read in its entirety.


# Contents


CHEMIST WAREHOUSE
CHEMIST WAREHOUSE
FREE PRESCRIPTIONS
*$5 OFF The Standard Subsidised Prescription Charge.
MAKEUP • HAIRCARE
FLU SHOT
IMMUNISATION SERVICE
CHEMIST WAREHOUSE
Protect your Tamariki and Whānau from the Flu
KIA RITE! GET READY FOR FLU SEASON
INSTORE OR ONLINE @ CHEMISTWAREHOUSE.CO.NZ
SCAN HERE
$21 99
VICKS
VapoShower
BREATHE EASY
with STEAMY, SOOTHING VICKS VAPORS
WIN
PARIS

# Chair's letter

Michael Sammells
Chairman of Sigma

The Transaction will combine one of Australia's most recognised retail pharmacy franchisors with one of its most dynamic and efficient pharmaceutical wholesalers, and importantly strengthen our ability to support the growth, competitiveness and service offering of our brand members and wholesale customers in a competitive market.

Dear Investors,

On behalf of the Merged Group Board, I am pleased to welcome you as an investor in the Merged Group, a leading Australian retail pharmacy franchisor and full-line pharmaceutical wholesaler and distributor.

On 11 December 2023, Sigma announced that it had entered into a Merger Implementation Agreement to merge with Chemist Warehouse Group, which was subject to regulatory and shareholder approval. On 7 November 2024 a key milestone was achieved, with the ACCC announcing it would not oppose the merger, subject to an undertaking provided to the ACCC. I am pleased to advise that Sigma Shareholders overwhelmingly approved the merger at an extraordinary general meeting held on 29 January 2025, and that at a meeting held on the same day, 100% of Chemist Warehouse Shareholders (voting in person or by proxy) agreed to the Scheme.

The references to the Merged Group in this Prospectus are to the group that will exist on implementation of the Transaction (**Implementation**).[1]

Through the Transaction, both companies are on the cusp of delivering a significant opportunity. The Transaction will combine one of Australia's most recognised retail pharmacy franchisors with one of its most dynamic and efficient pharmaceutical wholesalers, and importantly strengthen our ability to support the growth, competitiveness and service offering of our brand members and wholesale customers in a competitive market.

The Merged Group will support Australia's largest retail network of franchised pharmacies,[2] with 880 franchised pharmacies across a core suite of four franchise brands – Chemist Warehouse, My Chemist, Amcal and Discount Drug Stores.[3] The Merged Group has also given a commitment that it will continue to provide valued pharmaceutical wholesale services to independent pharmacies across Australia under a Community Service Obligation (**CSO**) agreement with the Commonwealth Government.

The Merged Group's strategy is supported by structural and demographic trends affecting demand for pharmacy products, including an ageing population, growing healthcare spending, continued product innovation, growth in value-added services and rising health consciousness. With increasing cost-of-living pressures on the minds of many consumers, the Merged Group will be well placed to continue to support pharmacies in meeting consumer demand for improved services, greater choice and lower prices.

Following Implementation, the Merged Group will continue to pursue opportunities for growth in the Retail Network in Australia and internationally. This will be supported by the expected continued rollout of Chemist Warehouse Australian Franchise Network stores, which since the inception of the Chemist Warehouse brand in 2000, has expanded to 567 franchised pharmacies across Australia.[4] The Chemist Warehouse brand will be complemented by Sigma's Amcal and Discount Drug Store franchise brands, which will enable the Merged Group's franchise offering to meet the needs of franchisees and consumers across a diverse range of market segments.

The Chemist Warehouse brand has proven its ability to extend its reach into international markets with rapid growth in New Zealand, and more recently through store openings in Ireland, China and Dubai. The Merged Group is excited about the opportunities to further expand the Chemist Warehouse brand in its existing international markets, while evaluating opportunities to expand into new geographies.

1. Implementation of the Transaction is subject to the satisfaction or waiver of certain Conditions Precedent, including ACCC and OIO approvals, Chemist Warehouse shareholder approval of the scheme of arrangement and Sigma shareholder approvals with respect to resolutions in connection with the Transaction, which have all been satisfied or waived as at the date of this Prospectus. Further details regarding the conditions are set out in Section 9.2.
2. By number of franchised pharmacies. Refer to Section 3.2 for more details.
3. As at 30 June 2024. Including Chemist Warehouse, My Chemist, Amcal and Discount Drug Stores branded pharmacies, and Pipeline Stores.
4. As at 30 June 2024. Including Chemist Warehouse and My Chemist branded pharmacies, and Pipeline Stores.

The Merged Group has multiple other options for growth including the expansion of owned, private label and exclusive brands, greater online penetration and omni-channel capabilities, expansion of its in-house media and marketing activities, further investment in ancillary franchise services, and utilisation of its wholesale and logistics capacity to achieve profitable growth.

The Merged Group also expects to deliver potential cost synergies of approximately $60 million per annum by the fourth year following Implementation through the rationalisation of duplicate costs and supply chain optimisation across the combined operations of Sigma and Chemist Warehouse.[5]

While the opportunity ahead of the Merged Group is significant, so too is the responsibility we bear to our stakeholders, including consumers, franchisees, wholesale customers including independent pharmacies, team members, shareholders and government. The Merged Group recognises its important position to encourage the wellbeing of its team members and the communities it interacts with, to reduce the environmental impact of its activities, and to conduct business in alignment with high standards of ethical behaviour and corporate governance principles.

The Merged Group will be led by Vikesh Ramsunder as CEO, and the Merged Group's Board and Management team will benefit from the combined skills and experience of both Sigma and Chemist Warehouse personnel. Mario Verrocchi, reporting to Vikesh, will continue to lead the Chemist Warehouse business.

This Prospectus contains detailed information about the Merged Group, the areas in which it will operate, its Pro Forma Historical Financial Information and the material risks associated with an investment in the Merged Group. As with other businesses, the Merged Group will be subject to a range of risks, which, if they occur, may have a negative impact on the Merged Group's financial performance and condition. These risks include risks associated with operating in a highly regulated environment (including with respect to pharmacy ownership laws and specifically the approach taken by regulators and other stakeholders with respect to the franchising model of the Merged Group), impacts from changes to the competitive landscape, and the risks associated with the Merged Group's liquidity management. These risks are detailed in Section 5. I encourage you to read this Prospectus carefully and in its entirety and consult with your independent professional advisor before making any investment decision.

This Prospectus contains a nominal Offer of up to 10 Offer Shares (as described in Section 7). The Offer is being made under this Prospectus to meet a condition imposed by ASX when it determined that, among other things, Sigma is not required to re-comply with ASX's admission and quotation requirements in connection with the Transaction. Upon Implementation, approximately 85.75% of the Sigma Shares will be held by existing Chemist Warehouse Shareholders, with the remainder being held by existing Sigma Shareholders.[6] Approximately 48% of the Merged Group's shares will be held by Mario Verrocchi, Jack Gance and Sam Gance, the founders of Chemist Warehouse (**Chemist Warehouse Founders**). The Sigma Shares held by the Chemist Warehouse Founders or entities controlled by them as a result of Implementation of the Transaction are subject to the escrow restrictions outlined in Section 9.8 of this Prospectus, demonstrating the commitment of the Chemist Warehouse Founders to the Merged Group business.

The Merged Group will have significant Related Party transactions within the Chemist Warehouse business which relate to interests of Chemist Warehouse Founders, executive board members and their families. In recognition of the importance and materiality of these transactions, they are being presented to shareholders for approval and on an ongoing basis will be overseen and governed by an Independent Board Committee made up of non-executive independent directors of which I will chair. I am honoured to be Chair of what I believe will be a truly great Australian company. I am excited about the Merged Group and what its future holds, and on behalf of the Merged Group Board, I look forward to welcoming you as a shareholder.

**Michael Sammells**
**Chairman of Sigma**
**Proposed Chairman of the Merged Group**

5. One-off costs of c.$75 million estimated to be incurred to achieve these potential synergies.
6. On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation and Completion). For the purposes of this calculation, this includes, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, 117,940 Sigma Shares (see Figure 46).

# Important dates

## Important dates

| | |
|---|---|
| Prospectus lodgement date | **10 February 2025** |
| Offer period opens | **11 February 2025** |
| Offer period closes | **11 February 2025** |
| Settlement | **12 February 2025** |
| Expected Implementation Date | **12 February 2025** |
| Issue of Offer Shares under the Offer (Completion) | **12 February 2025** |
| Expected commencement of trading of Offer Shares issued under the Offer on ASX on a normal settlement basis | **13 February 2025** |
| Expected dispatch of holding statements | **13 February 2025** |

## Dates may change

The dates above are indicative only and may change without notice.

Sigma reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notification to any recipient of this Prospectus or any Applicants. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law. If the Offer is cancelled or withdrawn before the issue of Offer Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

Unless otherwise indicated, all times are stated in Melbourne time.

## How to invest

Applications for Offer Shares can only be made by completing and lodging the Application Form (other than as expressly provided in this Prospectus).

Instructions on how to apply for Offer Shares are set out in Section 7 and on the Application Form.

## Questions

If you are unclear in relation to any matter, or you are uncertain as to whether Sigma is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

# 1 Investment overview

# 1. Investment overview

## 1.1 Introduction

| Topic | Summary | For more information |
|---|---|---|
| Who is Sigma? | Sigma Healthcare Limited (ACN 088 417 403) (**Sigma**) is a national full-line pharmaceutical wholesaler, distributor and pharmacy franchisor that is listed on the ASX under the code 'SIG'.<br><br>Sigma's principal business activities consist of:<br>• Full-line wholesale and distribution of prescription medicines (including PBS medicines), over the counter (**OTC**) products and front of store (**FOS**) products to over 3,500 pharmacies nationally.[7]<br>• Retail pharmacy services, including:<br>– Provision of branding and support services to the Sigma Franchise Network comprising of 313[8] pharmacies operating as franchises under the Sigma Franchise Network; and<br>– Supply of private label products to retail pharmacies, including independent pharmacies.<br>• Third-party logistics (**3PL**) services to pharmaceutical manufacturers and other supplier partners via its national distribution network. | Section 3.1.2 |
| Who is Chemist Warehouse? | CW Group Holdings Limited (ACN 635 851 839) (**Chemist Warehouse**) is a retail pharmacy franchisor and owns the 'Chemist Warehouse' and 'My Chemist' pharmacy franchise brands. Chemist Warehouse has operations in Australia, New Zealand, China, Ireland and Dubai.<br><br>As a leading retail pharmacy franchisor, the principal activities of Chemist Warehouse consists of:<br>• provision of branding and support services to Chemist Warehouse Australian Franchise Network;<br>• wholesale supply of FOS consumer goods to Chemist Warehouse Australian Franchise Network;<br>• advertising and marketing activities;<br>• sales of consumer goods through online channels; and<br>• sales and distribution of owned, private label and exclusive consumer brands. | Section 3.1.3 |

7. As at 30 June 2024. Includes pharmacies within the Australian Franchise Network, as well as third party pharmacy customers.
8. Excludes PharmaSave and Guardian. As at 30 June 2024, there were 37 PharmaSave pharmacies. In September 2022, Sigma began a retail brand consolidation process to simplify its retail strategy by seeking to convert Guardian and PharmaSave stores to Amcal and Discount Drug Stores. Sigma closed the Guardian brand with effect from 31 January 2024. Since September 2022, Sigma has no longer offered the PharmaSave brand to new members.

| Topic | Summary | For more information |
|---|---|---|
| Who is the Merged Group? | Following Implementation of the Transaction, the Merged Group will be a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor. The Merged Group will also have international operations.<br><br>As a leading **retail pharmacy franchisor**, the Merged Group will provide intellectual property and support services to a combined network of 880 Australian Franchise Network stores operating under a suite of core franchise brands including Chemist Warehouse, My Chemist, Amcal and Discount Drug Stores.[9] The Merged Group will also partly own 50 retail pharmacies in New Zealand, 10 retail pharmacies in Ireland and 2 retail pharmacies in Dubai, and a further 10 retail stores will be operated in China through services agreements with local companies.[10] Australian Franchise Network stores, together with the retail pharmacies in New Zealand, Ireland and Dubai, the stores operated in China, and other retail brand stores are collectively referred to as the Retail Network.[11]<br><br>As a **full-line wholesaler and distributor**, the Merged Group will supply and deliver **prescription products** (including PBS medicines), OTC and FOS products to over 3,500 pharmacy customers.[12] The Merged Group's wholesale customers will include the Retail Network as well as independent pharmacies in Australia. The Merged Group's Australian wholesale and distribution operations will be supported by a national distribution centre network. | Section 3 |
| What is the Proposed Transaction? | On 11 December 2023, Sigma announced that it had entered into the Merger Implementation Agreement to merge with Chemist Warehouse. Under the Merger Implementation Agreement, the parties have agreed to implement the Scheme between Chemist Warehouse and its shareholders and effect the Transaction which involves the acquisition by Sigma of all of the shares in Chemist Warehouse. | Section 9.2 |
| What industry will the Merged Group operate in? | The Merged Group will operate in the supply chain of the Australian pharmacy industry as a pharmaceutical wholesaler, distributor and retail franchisor (together with international operations).<br><br>The broader supply chain of the Australian pharmacy industry includes the following four key segments:<br>• **Pharmaceutical manufacturers:** Pharmaceutical manufacturing involves manufacturing products such as prescription products and OTC products generally only available in pharmacies and may also involve manufacturing a range of complementary and other FOS products available in retail outlets other than pharmacies.<br>• **Pharmaceutical wholesalers:** Pharmaceutical wholesaling involves product procurement, storage, and distribution. Participants may either be "full-line" wholesalers that distribute the majority of products that a pharmacy may require, or "short line" wholesalers that generally deal in a narrower product range.<br>• **Banner and buying groups:** Banner groups are groups of pharmacies operating under a common brand, which are often operated as franchises.<br>• **Retail pharmacies:** Retail pharmacies supply prescription products, OTC products and FOS products to Australian consumers. | Section 2 |

9. All references to store numbers throughout this 'Information about the Merged Group' section are as at 30 June 2024. The Australian Franchise Network includes 851 core franchise brand pharmacies, and 29 Pipeline Stores (as defined in section 3.2.3). The Australian Franchise Network does not include PharmaSave, of which there were 37 PharmaSave pharmacies as at 30 June 2024. Since September 2022, Sigma has no longer offered the PharmaSave brand to new members (refer to Section 3.2.6 for further information). The Merged Group does not own or operate any pharmacies in Australia.
10. The Retail Network includes stores in the Australian Franchise Network, other retail brand stores in Australia, partly owned retail pharmacies in New Zealand, Ireland and Dubai (which is not reflected in the store numbers as at 30 June 2024 as they opened after this date), and Chemist Warehouse stores operated in China through services agreements with local companies.
11. Other retail brands include Ultra Beauty and Optometrist Warehouse. Refer to section 3.2.4 for further information.
12. As at 30 June 2024. Includes pharmacies within the Australian Franchise Network, as well as third party pharmacy customers.

| Topic | Summary | For more information |
|---|---|---|
| What are the characteristics of the Australian retail pharmacy industry? | Australian pharmacy retailing includes the sale of prescription products, OTC products and a broad range of FOS products.<br><br>Pharmacies operate in a highly regulated environment. Establishing a new pharmacy (or relocating an existing pharmacy) is regulated at the Commonwealth level. In addition, under State and Territory laws, pharmacies in Australia must be owned by pharmacists, with limited exceptions.<br><br>Whilst the ownership of pharmacies is highly fragmented (with regulations generally in place restricting the number of pharmacies capable of being owned by any one individual), some pharmacies may decide to enter into arrangements with a banner group and choose to provide their services under such banner brand, and/or they may choose to be part of a buying group. | Section 2.2 |
| What are the characteristics of the Australian pharmacy wholesale and distribution industry? | Pharmaceutical wholesalers distribute prescription products, OTC products and FOS products to pharmacies and other non-pharmacy retailers.<br><br>There are a number of requirements for participating in pharmaceutical wholesaling due to the high level of regulation, including for CSO distributors. For CSO distributors, there are eligibility requirements to attract CSO funding, which subsidises the high costs of delivery of PBS medicines to all pharmacies. To be appointed as a CSO distributor, there are certain criteria that are required to be met, and a distributor must enter into a CSO deed with the Commonwealth.<br><br>Other requirements include high upfront capital costs and the need to maximise economic efficiencies. | Section 2.3 |
| What is the regulatory environment of the industry in which the Merged Group will operate in? | The main areas of regulation which will affect the Merged Group's business in Australia include:<br>• Federal therapeutic goods legislation which applies at the product level, to regulate the pharmaceuticals that are permitted to be supplied in Australia and the indications for which they may be sold and used.<br>• State and Territory medicines and poisons legislation, which regulates physical access to pharmaceuticals (along with other potentially dangerous substances), including requiring wholesalers of medicines to be licensed and regulating prescriptions.<br>• Retail access to pharmaceuticals is also impacted by Federal therapeutic goods legislation which regulates the advertising of medicines.<br>• State and Territory health practitioner registration legislation. These laws regulate the profession of pharmacy (along with other health professions).<br>• State and Territory pharmacy ownership laws, which prohibit non-pharmacists from having an ownership/proprietary or financial (NSW only) interest in pharmacy businesses (with limited exceptions).<br>• Federal legislation regulating the PBS. The PBS is a scheme under which the Commonwealth subsidises the cost of many pharmaceuticals purchased by Australian citizens and residents from approved pharmacies. To support the PBS, the Federal Government also pays subsidies direct to eligible wholesalers for distributing PBS pharmaceuticals under and in compliance with contractual arrangements known as CSO deeds.<br>• The Franchising Code of Conduct (**Franchising Code**) which is a mandatory industry code applying to franchise agreements under the *Competition and Consumer Act 2010* (Cth) (**CCA**). The Franchising Code applies to franchisors and pharmacy businesses which choose to operate under a franchise brand and system.<br><br>Refer to Section 2.5 for information on the regulatory environment in international jurisdictions in which the Merged Group operates. | Section 2.5 |

| Topic | Summary | For more information |
|---|---|---|
| What will be the Merged Group's principal business activities? | As a leading retail pharmacy franchisor and a full-line wholesaler and distributor, the principal activities of the Merged Group will consist of:<br>• provision of branding and support services to the Australian Franchise Network;<br>• full-line wholesaler and distributor of prescription products (including PBS medicines), OTC and FOS products to pharmacy customers, as well as third-party logistics services to pharmaceutical manufacturers and other supplier partners;<br>• advertising and marketing activities;<br>• sales of consumer goods through online channels;<br>• sales and distribution of owned, private label and exclusive brands and products;<br>• ownership of several other businesses which complement the capabilities and key competitive proposition of the Merged Group; and<br>• strategic equity positions in several suppliers. | Section 3.2 and Section 3.3 |
| Where will the Merged Group operate? | Following Implementation of the Transaction, the Merged Group will operate in Australia as a leading retail pharmacy franchisor and a full-line healthcare wholesaler and distributor.<br><br>Outside of Australia, the Merged Group will also operate in New Zealand, Ireland, China and Dubai.<br><br>The business model in each country differs (refer to Section 3.3), with the Merged Group primarily intending to operate as either a retail pharmacy franchisor or retail pharmacy owner (either partially or wholly). | Section 3.2 and Section 3.3 |
| What will be the Merged Group's growth strategy? | Until Implementation has occurred, there are legal limitations imposed by Australian competition laws on the degree to which Sigma and Chemist Warehouse may make joint decisions about the future operation of the Merged Group. The Merged Group will undertake a detailed strategic review of the business following Implementation in order to develop a broader growth strategy and business plan.<br><br>Section 3.8 provides an indication of the nature of growth opportunities for the Merged Group, including:<br>• the continued roll-out of Australian Franchise Network stores;<br>• the continued roll-out of Chemist Warehouse branded stores internationally;<br>• expansion of owned, private label, licensed and exclusive brands and products;<br>• increased online penetration and omni-channel capabilities;<br>• expansion of in-house media and marketing capabilities;<br>• supporting franchisees to deliver pharmacy services to customers;<br>• continuing to achieve profitable growth in the Merged Group's wholesale and third party logistics business; and<br>• improving the efficiency of supply chains and logistics. | Section 3.8 |

| Topic | Summary | For more information |
|---|---|---|
| What is the Merged Group's pro forma historical financial performance? | **Pro Forma Historical Results**<br><br>**\$ million** / **FY22** / **FY23** / **FY24**<br>Revenue: 6,435.8 / 6,486.2 / 6,655.7<br>EBIT: 591.1 / 508.9 / 605.5<br>NPAT[13]: 370.5 / 302.6 / 522.3<br><br>The information presented above contains non-IFRS financial measures, is intended as a summary only and should be read in conjunction with the more detailed discussion on the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.<br><br>Investors should read Section 4 for full details of the Merged Group's pro forma and statutory results and the underlying pro forma adjustments made and reconciliations.<br><br>As noted in Section 4.1, the pro forma financial information is based on a combination of Chemist Warehouse and Sigma's actual standalone financial results over the relevant time period. | Section 4 |
| What is the Merged Group's dividend policy? | The payment of a dividend by the Merged Group, if any, is at the discretion of the Merged Group Board.<br><br>The board of the Merged Group will determine the target dividend payout ratio post Implementation, which is when the Merged Group senior management and Board will be able to consider decisions regarding capital allocation.<br><br>However, subject to conditions and capital requirements of the business, and approval by the Merged Group Board, Sigma's board expects that the Merged Group will intend to target a dividend payout ratio of 50-70% of statutory profit after income tax expense post Implementation. | Section 4.9 |
| Why is this Prospectus being prepared? | The Company has prepared this Prospectus:<br>• because it is a requirement of the ASX that Sigma issues this Prospectus on or prior to Implementation of the Transaction; and<br>• to conduct the Offer. | Section 9.12.2 |

13. Attributable to owners of the Merged Group.

## 1.2 Key strengths

| Strength | Summary | For more information |
|---|---|---|
| A leading franchisor and wholesaling business with diversified and scaled operations and earnings base | Following Implementation of the Transaction, the Merged Group will be a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor. The Merged Group will have extensive, automated distribution infrastructure and logistics capabilities combined with leading retailing and marketing experience to support its Australian Franchise Network stores.<br><br>As a leading retail pharmacy franchisor, the Merged Group will provide intellectual property and support services to a combined network of 880 franchised pharmacies across Australia.[14] The Merged Group will also have the international operations described in Section 3.3.<br><br>As a full-line wholesaler and distributor, the Merged Group will supply and deliver prescription products (including PBS medicines), OTC and FOS products to over 3,500 pharmacy customers.[15] The Merged Group's Australian wholesale and distribution operations will be supported by its national distribution centre network.<br><br>By combining Sigma's automated distribution infrastructure with Chemist Warehouse's leading retail expertise, the Directors believe that the Merged Group will be better positioned to:<br>• deliver exceptional value to end consumers, franchisees and independent pharmacists by lowering distribution costs and deepening the Merged Group's long-standing supply relationships;<br>• support the future growth of the Australian Franchise Network by continued consistent, reliable supply of a broad range of stock; and<br>• optimise the international expansion of the Chemist Warehouse brand through application of Sigma's supply chain capabilities and expertise.<br><br>The Merged Group Pro Forma EBIT for FY24 is $605.5m, excluding synergies. | Section 3.1, 3.3 |
| Four core retail pharmacy franchise brands across a range of market segments | The Merged Group's retail pharmacy franchise business will have four core franchise brands across a range of segments. These core franchise brands will be 'Chemist Warehouse', 'My Chemist', Amcal' and 'Discount Drug Stores'.[16] An overview of these brands, their market positioning and the number of stores by brand is outlined in the table below:[17] | Section 3.2.3 |

| | | | Stores |
|---|---|---|---|
| Big box discount pharmacy | Stop Paying Too Much!! CHEMIST WAREHOUSE | Significant Australian pharmacy brand with franchise pharmacies known for offering a wide range of FOS products, and everyday low prices on all product lines | 517 |
| Full-service pharmacy | Amcal+ | An Australian pharmacy brand with a focus on expert advice and service | 209 |
| | my CHEMIST | Full-service pharmacy brand providing high quality products and health services, as well as expert advice | 21 |
| Discount pharmacy | Discount Drug Stores | Discount pharmacy brand offering low prices and special offers, as well as a wide range of health services | 104 |

14. As at 30 June 2024. Excludes PharmaSave and Guardian, of which there were 37 PharmaSave stores and no Guardian stores as at 30 June 2024.
15. As at 30 June 2024. Includes pharmacies within the Australian Franchise Network, as well as third party pharmacies.
16. Core franchise brands exclude PharmaSave. In September 2022, Sigma began a retail brand consolidation process to simplify its retail strategy by seeking to convert Guardian and PharmaSave stores to Amcal and Discount Drug Stores. Sigma closed the Guardian Brand with effect from 31 January 2024. Since September 2022, Sigma has no longer offered the PharmaSave brand to new members. As at 30 June 2024, there were 37 PharmaSave pharmacies. Sigma continues to provide support to PharmaSave franchisees in accordance with existing agreements.
17. As at 30 June 2024. Includes stores in Australia and excludes 29 Pipeline Stores and international stores.

# 1. Investment overview continued

| Strength | Summary | For more information |
|---|---|---|
| Widely recognised and fast-growing franchise brand with differentiated retail FOS offering | Chemist Warehouse is one of Australia's most recognised retail pharmacy franchise brands. Since its inception in 2000, Chemist Warehouse has expanded to 639 Retail Network stores globally and recorded 20 years of consecutive growth in Retail Network Sales. | Section 3.1.3 |

**Figure 5: Chemist Warehouse Retail Network Sales evolution ($m)[18,19]**

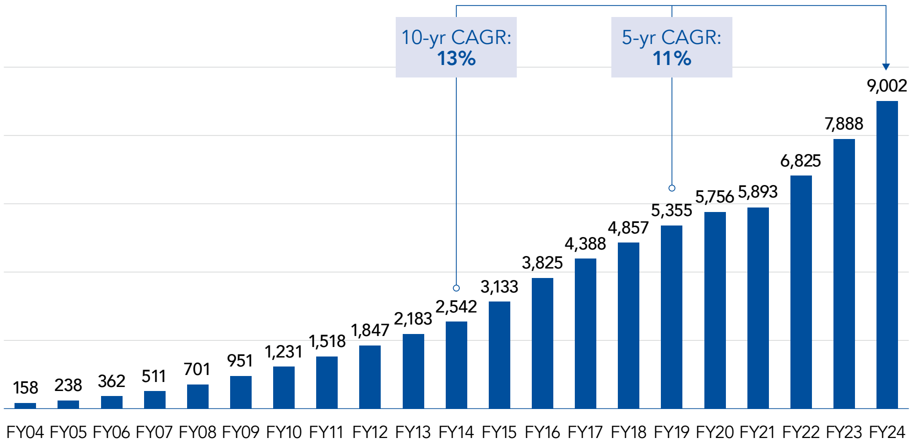
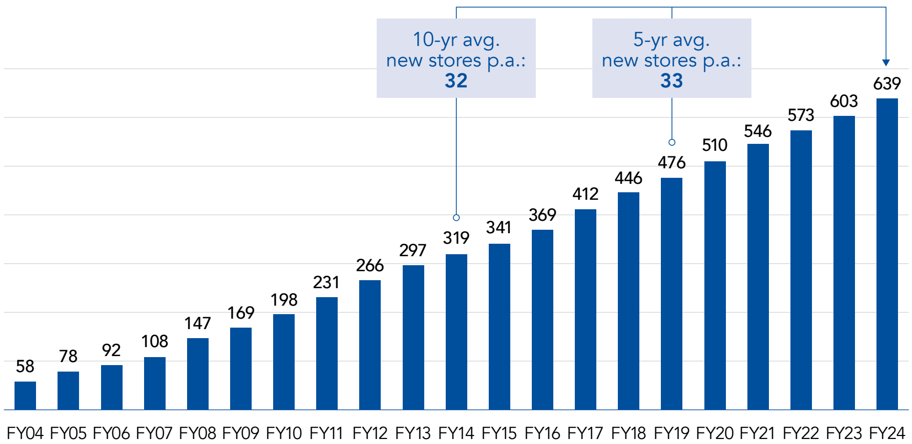



**Figure 6: Chemist Warehouse Retail Network evolution (no. of stores)[20,20]**




The growth of Chemist Warehouse has been driven by a number of competitive advantages that underpin the appeal of its offering to end consumers, including its iconic brand, marketing expertise, discount model, unique store format and differentiated product offering.

Chemist Warehouse stores are differentiated from most other retail pharmacy brands by their penetration of retail FOS, with Chemist Warehouse Franchisees deriving 60% of their stores sales from FOS sales in FY24, which Chemist Warehouse considers is substantially above those for non-Chemist Warehouse pharmacies.[21] This focus on FOS enables Chemist Warehouse to ensure access to a broad range of FOS products at competitive cost pricing, which further underpins the convenience and value of the Chemist Warehouse offering.

18. FY04 to FY24, financial year ended 30 June.
19. Based on Chemist Warehouse management information (unaudited). Chemist Warehouse Retail Network Sales includes a combination of in-store and online sales across the Chemist Warehouse Retail Network, as well as online sales fulfilled directly by Chemist Warehouse. Chemist Warehouse Retail Network Sales is not revenue of Chemist Warehouse. However, the relevance of this metric is that inventory sold by Chemist Warehouse Retail Network stores is often purchased from Chemist Warehouse (as part of Chemist Warehouse's wholesale supply arrangements).
20. The Chemist Warehouse Retail Network includes franchised retail pharmacies in Australia, other retail brand stores in Australia, partly owned stores in New Zealand, Ireland and Dubai, and Chemist Warehouse stores operated in China through services agreements with local companies. Chemist Warehouse does not own or operate any pharmacies in Australia.
21. Management information (unaudited). Represents total FOS sales as a proportion of total Chemist Warehouse Australian Franchise Network sales in FY24.

| Strength | Summary | For more information |
|---|---|---|
| Leading intellectual property, retailing know-how and expertise | The Merged Group will inherit the considerable intellectual property and retailing know-how and expertise that has been a key driver of Chemist Warehouse Group's success and its ability to constantly innovate across the customer experience, marketing and advertising strategy, retail execution and business model.<br><br>This intellectual property, developed from over 50 years of experience in pharmacy retailing reflects substantial careful investment at every layer of the business, including retailing systems, supply chain, marketing IP and owned, private label and exclusive brands.<br><br>There are various ways this leading intellectual property and retailing know-how and expertise manifests for the benefit of franchisees under the Chemist Warehouse Franchise Model, including:<br>• store planograms and assistance with store design and layout;<br>• product range and value proposition – franchisees have access to a wide range of health, wellness and beauty products (including several exclusively ranged brands at discounted prices) to offer their customers;<br>• marketing strength – franchisees benefit from the substantial advertising and marketing investment that the franchisor makes to promote the brand and its franchise network;<br>• seamless omnichannel offering – Chemist Warehouse's successful online stores deliver a seamless omnichannel experience to end customers, supporting in-store trading, including via Click & Collect and Fast Delivery purchases;<br>• providing retail training to franchisees and their staff, with a focus on operations, product knowledge, customer service and sales conversion;<br>• access to proprietary IT systems, tailored to the franchisee's needs, promoting efficiency and productivity across in-store operations; and<br>• support from internal buying teams to aid with ensuring product sourcing breadth and depth as well as maintaining in-store availability. | Section 3.2 |
| Extensive and scalable infrastructure | The Merged Group's wholesale and distribution activities will be supported by 14 distribution centres located across Australia with 272,200 sqm of aggregate capacity (and a single distribution centre in New Zealand with 4,000 sqm of capacity).<br><br>A number of sites in the Merged Group's distribution centre network benefitted from Sigma's recent $400 million capital investment program which was completed in 2023.[22] The capital investment program focused on acquiring new distribution centre land and buildings, as well as deploying automation technology and upgraded IT systems. These investments will improve operational capacity and efficiency for the Merged Group and serve to reduce the requirement for material capital investment in the foreseeable future.<br><br>The Sigma Directors and the Proposed Directors believe that that the Merged Group's existing distribution network will be capable of supporting continued like-for-like growth in current Australian Franchise Network stores, and continued growth in new Australian Franchise Network stores, in the medium term, as well as continued wholesale sales to independent pharmacy customers. | Section 3.2 |

22. The $400 million capital investment program was undertaken by Sigma and related exclusively to sites owned or operated by Sigma Group. The capital investment program did not extend to sites owned or operated by Chemist Warehouse Group.

| Strength | Summary | For more information |
|---|---|---|
| Investment in building and maintaining strong relationships with franchisees | Developing and maintaining strong working relationships with franchisees has been a fundamental pillar of Chemist Warehouse's and Sigma's respective businesses and is supported by franchise models that promote common interest and alignment between franchisees and franchisor.<br><br>There are several guiding principles that have underpinned the relationship between Chemist Warehouse and its franchisees and Sigma and its franchisees. These guiding principles are:<br>• maximising the viability, sustainability and growth of the franchise network;<br>• preserving the health and stability of the franchisor and the services they provide to the franchise network;<br>• maintaining and growing the reputation of the pharmacy brands; and<br>• upholding the pharmacists' professional and ethical standards and obligations. | Section 3.2.5 |
| Extensive advertising and marketing capability | The Merged Group will have a range of owned media platforms, as well as established relationships enabling premium access to many external broadcast advertising mediums. The significant investment that Chemist Warehouse has made historically in these activities has positioned the Chemist Warehouse pharmacy brand as one of the most visible and recognised brands in Australia, and makes the Merged Group a trusted partner for brand owners and suppliers to advertise with.<br><br>The Merged Group will undertake a broad array of marketing and advertising activities, partnering with brand owners and suppliers to promote their products which will be offered through the Retail Network and online.[23]<br><br>The investment in the multi-medium advertising and marketing strategy will drive increased brand awareness (in both the Retail Network, and co-branded campaigns with suppliers), improve traffic across the Retail Network, and enhance sales growth for franchisees and product suppliers, in turn driving wholesale sales growth for the Merged Group itself. | Section 3.2.8 |
| Extensive portfolio of owned, private label and exclusive brands and products | The Merged Group's operations will include supplying a broad range of fully or partly owned brands, private label and exclusive brands and products to certain stores in the Retail Network in Australia as well as through the Merged Group's online channels.<br><br>Fully/partly owned, private label and licensed brands, Amcal+, Wagner, INC., Pharmacy Care, Bondi Protein and Goat. Sales of such brands and products across the Chemist Warehouse Retail Network in Australia represented $364 million in network sales in FY24 (approximately 5% of Chemist Warehouse Retail Network Sales in Australia in FY24).[24]<br><br>Exclusive brands and products are a range of products that will be exclusively available to the Retail Network in Australia as well as through the Merged Group's online channels. Sales of such brands and products across the Chemist Warehouse Retail Network in Australia represented $457 million in network sales in FY24 (approximately 6% of Chemist Warehouse Retail Network Sales in FY24). The Merged Group's range of fully or partly owned, private label and exclusive brands and products provides franchisees, independent pharmacies and consumers with greater choice, and represents a higher margin product suite promoting increased profitability for both the Merged Group and its franchisees.<br><br>Expanding the range of owned, private label and exclusive brands and products across the Merged Group's various franchise brands represents a growth opportunity for the Merged Group. | Section 3.2.10 |

23. Sales of suppliers' products across the Merged Group's online channels, will initially be through the Chemist Warehouse and My Chemist branded online stores.
24. Management information (unaudited). Excludes sales of Amcal+ and PharmacyCare.

| Strength | Summary | For more information |
|---|---|---|
| Significant opportunity to grow the Australian Retail Network | The Chemist Warehouse Franchise Model has demonstrated sustained, long-term success in attracting new franchisees. Franchisees are attracted to Chemist Warehouse for its attractive brand proposition across a range of retail pharmacy market segments, and the assistance Chemist Warehouse provides to its franchisees.<br><br>Chemist Warehouse increased the Chemist Warehouse Australian Franchise Network by 13 net new stores in FY22 (though store openings in 2022 were impacted by COVID-19), and 20 net new stores in each of FY23 and FY24.<br><br>Upon Implementation, the Merged Group's retail pharmacy franchise network will be Australia-wide, with multiple retail franchise brands represented in every state and territory.[25] The Merged Group's growth strategy will involve a continuation of Chemist Warehouse's and Sigma's store growth strategies. | Section 3.8 |
| Offshore expansion opportunities | The success internationally to date of Chemist Warehouse demonstrates the transportability and acceptance of the Chemist Warehouse brand and value proposition into new geographies.[26] This lays a solid foundation for the Merged Group to pursue continued long-term growth from international expansion under the Chemist Warehouse brand.<br><br>Continuing to pursue strong growth in the existing international geographies that the Merged Group will have a presence in, as well as evaluating opportunities to enter new international geographies, is expected to form an attractive element of the Merged Group's growth strategy. | Section 3.8 |
| Multiple other levers for growth | The Merged Group's growth strategy is also expected to include pursuing other multiple lower-risk growth opportunities which, amongst other things, include:<br>• increased online penetration and omni-channel capabilities;<br>• expansion of in-house media and marketing capabilities;<br>• supporting franchisees to deliver pharmacy services to customers;<br>• continuing to achieve profitable growth in the Merged Group's wholesale and third party logistics business; and<br>• improving the efficiency of supply chains and logistics. | Section 3.8 |
| Significant potential for synergies and efficiencies | Post Implementation of the Transaction, and upon combination and integration of Chemist Warehouse and Sigma, the Merged Group will have the potential to unlock significant synergies and efficiencies, reflecting the strong commercial logic of the Transaction.<br><br>As a result of initial work undertaken to date to scope and estimate potential synergies, management estimates that potential cost synergies of approximately $60 million per year could be realised by the fourth-year post Implementation of the Transaction, with full run rate synergies expected to be achieved in the fifth-year post Implementation. Management is currently estimating one-off costs of approximately $75 million will need to be incurred to achieve these potential synergies.<br><br>The projected cost synergies are expected to be derived from rationalisation of corporate costs, consolidation of marketing and general and administration expenses, and supply chain optimisation. | Section 3.6.2 |

25. Refer map of Australia in section 3.2.4.
26. Refer section 3.3.

| Strength | Summary | For more information |
|---|---|---|
| Highly experienced management team and Board to continue to drive value creation for all shareholders | Post Implementation of the Transaction, the Merged Group will benefit from the combined skills and experience of the Boards and management teams of both the Sigma Group and the Chemist Warehouse Group.<br><br>Michael Sammells, the current Independent Non-Executive Chair of Sigma Group, will be the Independent Non-Executive Chair of the Merged Group's Board and Vikesh Ramsunder, the current Chief Executive Officer and Managing Director of Sigma will be the Chief Executive Officer and Managing Director of the Merged Group. Mark Davis, the current Chief Financial Officer of Chemist Warehouse Group, will be appointed as Chief Financial Officer of the Merged Group. Mario Verrocchi, the current Chief Executive Officer of Chemist Warehouse Group, will continue to manage the Chemist Warehouse Business and will also be appointed to the Merged Group's Board as an Executive Director.<br><br>The combined senior management team boasts >100 years of relevant experience. The teams have a strong track record of enhancing shareholder and broader stakeholder value. The Transaction also brings together two complementary skill sets, with Chemist Warehouse Group providing significant retail and marketing expertise from its existing operations, and Sigma Group providing distribution expertise obtained from its advanced distribution infrastructure and logistics capabilities.<br><br>Chemist Warehouse Group's Chairman and Co-founder Jack Gance, Chief Commercial Officer Damien Gance, and Chief People Officer Danielle Di Pilla will also be appointed to the Merged Group's Board.<br><br>The Merged Group's Board will be comprised of four independent directors (being existing Sigma Group directors Michael Sammells, Neville Mitchell, Annette Carey and Chris Roberts), four Chemist Warehouse Group representatives (as set out above) and Vikesh Ramsunder as Chief Executive Officer and Managing Director. | Section 6.1 and Section 6.2 |

## 1.3 Key risks

| Risk | Summary | For more information |
|---|---|---|
| Changes in regulatory environment | The Merged Group may be affected by changes to government policies and legislation, including those relating to the pharmaceutical industry (including in relation to the PBS or CSO), the pharmacy sector (to which the Merged Group supplies products and services), taxation, the regulation of trade practices, competition, franchisees, modern slavery, anti-corruption and anti-bribery laws or other legal or regulatory changes which could impact the structure and/or operations of the Merged Group's business. | Section 5.2.1 |
| Changes to competitive landscape and operating performance of retail pharmacies | The Merged Group operates in highly competitive environments which could become more competitive in the future including from actions from both new and existing competitors.<br><br>Competition which may impact the Merged Group includes the wholesaling and distribution of prescription, OTC and FOS products to pharmacies and as an online retailer of FOS goods to consumers.<br><br>The Merged Group, as franchisor, will also be impacted by competition from other franchisors and pharmacy buying groups as well as a range of other providers offering services to pharmacies. In addition, competition at the retail level which impacts the Merged Group's franchisees or, its wholesale pharmacy customers, indirectly impacts the Merged Group. Competition at the retail level includes other retail pharmacies, supermarkets and other specialty and general retailers including health and beauty retailers, including online and bricks and mortar suppliers. | Section 5.2.2 |

| Risk | Summary | For more information |
|---|---|---|
| Impact of the need for pharmacy customers to obtain approvals from State pharmacy regulators | Although wholesaler, franchisor, lessor and/or business lender relationships between non-pharmacists and pharmacists are well-established and accepted in Australia, the laws preventing non-pharmacists from holding a 'financial', 'ownership' or 'proprietary' interest in a pharmacy (depending on the jurisdiction) impact the commercial terms which can be agreed between the Merged Group and their pharmacy customers. These laws may also make certain provisions in agreements between suppliers and pharmacies void. | Section 5.2.3 |
| Impact of Australia's pharmacy ownership laws and stakeholder activism | It is possible that pharmacy stakeholders may seek to disrupt the Merged Group's or its pharmacy franchisees' or wholesaler customers' growth or expansion into new areas or new activities, and/or to encourage regulators to do so. Pharmacy stakeholders may seek to argue in the public domain or in representations to government that aspects of the Merged Group's arrangements are or should be prohibited or void. | Section 5.2.4 |
| Impact of the need for NSW based pharmacy customers to obtain approvals from the NSW State pharmacy regulator | NSW has the most restrictive laws in Australia relating to pharmacy ownership. The NSW laws are broadly expressed, of uncertain scope and subject to differing interpretations.<br><br>The NSW regulator has been approving pharmacy application documentation submitted by Chemist Warehouse Franchisees involving a services agreement and a separate trade mark licence, although these agreements are less comprehensive than the franchise agreements used elsewhere in Australia.<br><br>One way in which individual applications differ is the quantum of fees. While some comfort can be obtained in NSW based on past approvals, based on a particular form of documents, the outcome of any individual application can still be unpredictable.<br><br>Should any application by a Chemist Warehouse Franchisee be rejected in the future, the applicant may opt to address any concerns or exercise review and appeal rights. This may delay applications or result in less optimal agreements being entered into, which may impact the Merged Group's operations (including profitability) and ability to realise store growth plans in NSW profitably. | Section 5.2.5 |
| Inadequate or poor inventory management | The Merged Group relies on its data analytics, human analysis and inventory management system to manage its business; in particular its stock levels and stock purchasing. If the Merged Group's inventory management system or data analytics fail or use inaccurate information or assumptions, there could be errors in order fulfillment, delayed shipments, and increased administrative costs. | Section 5.2.6 |
| Inadequate or poor liquidity management or failure to raise funding when required | Effective liquidity management will be imperative to meet the Merged Group's ongoing funding requirements, manage working capital and execute its overall business strategies. Poor or inefficient management of its liquidity risk could adversely affect the Merged Group's operations and financial performance.<br><br>The Banking Facilities (as described in Section 9.9) may require refinancing in the future. The Merged Group may also require new or additional debt facilities in the future. There is no assurance that the required funding will be secured at all or on acceptable terms and in the timeframe required.<br><br>In addition, poor liquidity management may impact upon the Merged Group's strategic flexibility. This lack of strategic flexibility can hinder long-term growth and competitiveness. | Section 5.2.7 |
| Loss of a material customer or customer group or customer default | There is a risk that the Merged Group may lose a material individual customer or material customer group including by reason of the Undertaking, which could negatively impact the Merged Group's revenue, result in a lower customer base for the Merged Group's retail and healthcare programs, lead to weaker buying power from a decrease in volume of product purchased, and a significant change to revenue scale could mean the Merged Group may be unable to support its fixed cost base. An individual customer or a buying group may default in a payment to the Merged Group or suffer an insolvency event. This could lead to a negative working capital impact due to overdue debts and increased borrowing costs and increased legal and debt recovery costs. | Section 5.2.8 |

| Risk | Summary | For more information |
|---|---|---|
| Inability to acquire products at competitive prices and exposure to Third Parties' supply chain vulnerabilities | The Merged Group's ability to wholesale or supply products at competitive prices to their respective franchisees or pharmacy customers and to online customers for FOS goods, is highly dependent on securing competitively priced arrangements from Third Party suppliers. The Merged Group may be unable to source products from key suppliers, or may experience delays in transportation and may therefore be unable to service its customers' needs. Furthermore, if a Third Party supplier does not allocate enough stock to the Merged Group relative to its anticipated demand for that product, or there is a wide-scale shortage of a particular type of medicine, this would have an impact on the Merged Group's revenue and cash flow. | Section 5.2.9 |
| Cyber risk | Given the Merged Group's dependence on IT systems and infrastructure, it will be vulnerable to cyber-attacks (including state-sponsored attacks), ransomware attacks, computer viruses or data breaches. This is particularly the case given the increasing frequency and sophistication of attacks. If the Merged Group were to experience a significant cyber security incident and did not have adequate or any insurance coverage (noting that Chemist Warehouse does not currently have cyber insurance coverage), this could result in financial loss, operational disruption or reputational damage, for example, as a consequence of being unable to meet wholesaling obligations due to impacts on the Merged Group's distribution network or from an inability to provide services and support to franchisees due to system interruptions. | Section 5.2.10 |
| Inadequate IT infrastructure and systems | The Merged Group will rely heavily on IT infrastructure and systems to manage its businesses, including its compliance with various regulatory, legal and tax requirements. These systems include inventory management software, enterprise resource planning systems, point of sale systems supply chain and distribution systems, data analytics, e-commerce systems, computer systems and hardware, network and telecommunications equipment and systems, and financial and document management systems. Any failure to successfully maintain adequate systems including the timely replacement of legacy systems, or implement updates or changes across business operations without disruptions, may negatively impact the Merged Group's business and performance or its ability to monitor and report on its financial performance in a timely manner. | Section 5.2.11 |
| Other | A number of other risks are included in Section 5, including risks associated with:<br>• adverse economic conditions;<br>• negative consumer sentiment or trends;<br>• franchise arrangements;<br>• related parties;<br>• completion;<br>• litigation;<br>• integration;<br>• existing contractual arrangements;<br>• expected future events; and<br>• other general investment risks. | Section 5 |

## 1.4 Directors and Senior Management

| Topic | Summary | For more information |
|---|---|---|
| Who will be the Merge Group's Board and management following Implementation? | The Merged Group Board will comprise of:<br>• Vikesh Ramsunder (the current CEO and Managing Director of Sigma);<br>• four existing non-executive directors from Sigma, being:<br>– Michael Sammells;<br>– Annette Carey;<br>– Neville Mitchell; and<br>– Christopher Roberts AO; and<br>• four nominee directors from Chemist Warehouse, being:<br>– Jack Gance as a non-executive director; and<br>– Mario Verrocchi, Damien Gance and Danielle Di Pilla as executive directors.<br>Mark Davis, the current CFO of Chemist Warehouse, will be the CFO of the Merged Group following Implementation. | Section 6.1 and Section 6.2 |

## 1.5 Significant interests of key people and related party transactions

| Topic | Summary | For more information |
|---|---|---|
| Who are the Existing Shareholders and what will be their interest at Implementation? | See table below | Section 7.3 |

| | Interests in Sigma Shares held as at the Prospectus Date | | | | Interests in Sigma Shares held at Implementation | | | |
|---|---|---|---|---|---|---|---|---|
| | Fully diluted | | Sigma Shares on issue | | Fully diluted[27] | | Sigma Shares on issue | |
| **Shareholder(s)** | **(%)** | **(m)** | **(%)** | **(m)** | **(%)** | **(m)** | **(%)** | **(m)** |
| **Total existing Sigma Shareholders[28]** | **99.94%** | **1,645.24** | **99.94%** | **1,630.89** | **14.24%** | **1,645.24** | **14.16%** | **1,634.56** |
| Mario Verrocchi[29] | 0.06% | 0.98 | 0.06% | 0.98 | 22.13% | 2,556.26 | 22.15% | 2,556.26 |
| Jack Gance | | | | | 13.67% | 1,579.05 | 13.68% | 1,579.05 |
| Sam Gance | | | | | 12.52% | 1,446.86 | 12.54% | 1,446.86 |
| Other Chemist Warehouse shareholders | – | – | – | – | 37.44% | 4,324.98 | 37.47% | 4,324.98 |
| **Chemist Warehouse shareholders[29]** | **0.06%** | **0.98** | **0.06%** | **0.98** | **85.76%** | **9,907.16** | **85.84%** | **9,907.16** |
| **Total** | **100.00%** | **1,646.22** | **100.00%** | **1,631.87** | **100.00%** | **11,552.40** | **100.00%** | **11,541.72** |

27. For the purposes of this table, the fully diluted number of Sigma Shares includes 6,120,640 Sigma Performance Rights that will lapse upon Implementation and be replaced with cash bonuses of equivalent value (see "Treatment under the Transaction" in Figures 47 and 51) and, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, 117,940 Sigma Shares (see Figure 46).
28. There are approximately 311 Chemist Warehouse Shareholders, some of which may have an interest in Sigma Shares which are recognised in this row. For information on substantial holders of Sigma based on substantial holder notices lodged with ASX as at the Prospectus Date are set out in Section 7.3.
29. This row includes 978,506 Sigma Shares that Goat Properties Pty Ltd has an interest in as at the Prospectus Date. Mario Verrocchi holds 30% of the shares in Goat Properties and as a result has a relevant interest in the Sigma Shares held by Goat Properties. The Sigma Shares held by Goat Properties may be disposed of prior to Implementation at the discretion of Goat Properties or otherwise post-Implementation in accordance with Sigma's Trading Policy.

| Topic | Summary | For more information |
|---|---|---|

**What significant benefits are payable to Directors and other persons connected with the Merged Group or the Offer and what significant interests do they hold?**

Section 6.3

The interests of Sigma Directors and Proposed Directors in Sigma Shares and other securities in Sigma as at the Prospectus Date, as at Completion and as at Implementation are set out in the table below:

| | Interests in Sigma Shares held as at the Prospectus Date | | Interests in Sigma Shares held at Implementation | | Percentage shareholding at Implementation | |
|---|---|---|---|---|---|---|
| Sigma Director or Proposed Director | Fully diluted | Sigma Shares on issue | Fully diluted | Sigma Shares on issue | Fully diluted | Shares on issue |
| Michael Sammells | 258,448 | 258,448 | 258,448 | 258,448 | 0.00%[2] | 0.00%[2] |
| Vikesh Ramsunder | 17,750,912 | 11,662,028 | 15,805,735[7] | 12,829,134 | 0.14% | 0.11% |
| Chris Roberts | 12,014 | 12,014 | 12,014 | 12,014 | 0.00%[3] | 0.00%[3] |
| Annette Carey | 21,212 | 21,212 | 21,212 | 21,212 | 0.00%[4] | 0.00%[4] |
| Neville Mitchell | 30,295 | 30,295 | 30,295 | 30,295 | 0.00%[5] | 0.00%[5] |
| Kate Spargo | 719,679 | 719,679 | 719,679 | 719,679 | 0.01% | 0.01% |
| Jack Gance | – | – | 1,579,050,058 | 1,579,050,058 | 13.68% | 13.68% |
| Mario Verrocchi[1] | 978,506 | 978,506 | 2,556,263,426 | 2,556,263,426 | 22.14%[6] | 22.15%[6] |
| Damien Gance | – | – | 400,240,023 | 400,240,023 | 3.47% | 3.47% |
| Danielle Di Pilla[1, 8] | 994,479 | 994,479 | 106,465,751 | 106,465,751 | 0.92% | 0.92% |

**Notes:**

(1) This row includes 978,506 Sigma Shares that Goat Properties Pty Ltd has an interest in as at the Prospectus Date. Mario Verrocchi holds 30% of the shares in Goat Properties and Danielle Di Pilla holds 40% of the shares in Goat Properties and as a result they both have a relevant interest in the Sigma Shares held by Goat Properties. The Sigma Shares held by Goat Properties may be disposed of prior to Implementation at the discretion of Goat Properties or otherwise post-Implementation in accordance with Sigma's Trading Policy.

(2) Based on 6 decimal places, this is equal to 0.002238% and 0.002239% respectively.

(3) Based on 6 decimal places, this is equal to 0.000104%.

(4) Based on 6 decimal places, this is equal to 0.000184%.

(5) Based on 6 decimal places, this is equal to 0.000262%.

(6) Mario Verrocchi will have a relevant interest in approximately 22.15% of Sigma Shares post-Implementation. This includes the relevant interest in 978,506 Sigma Shares due to his indirect interest in Goat Properties Pty Ltd. The Sigma Shares held by Goat Properties may be disposed of prior to Implementation at the discretion of Goat Properties or otherwise post-Implementation in accordance with Sigma's Trading Policy.

(7) In addition to the securities set out in the table above, 1,945,177 Sigma Performance Rights held by Vikesh Ramsunder that will lapse upon Implementation and be replaced with cash bonuses of equivalent value (see "Treatment under the Transaction" in Figure 47 and Figure 51).

(8) In addition to the interest in the Sigma Shares held by Goat Properties, Danielle Di Pilla has an interest in 15,973 Sigma Shares as at the Prospectus Date that may be disposed of prior to Implementation at the discretion of Danielle Di Pilla or otherwise post-Implementation in accordance with Sigma's Trading Policy.

The benefits payable to Directors and other persons connected with the Merged Group or the Offer are set out in Section 6.

**Will any Shares be subject to restrictions on disposal following Completion?**

Section 9.8

Upon Implementation and Completion of the Offer, certain Shareholders will be subject to voluntary escrow arrangements in respect of Shares they hold at Completion. These escrow arrangements will prevent those Shareholders from disposing of their Escrowed Shares during the Escrow Period (subject to relevant exceptions).

See Section 9.8 for a summary of the terms of the escrow arrangements and the limited exceptions that permit dealing in the Escrowed Shares during the Escrow Period.

| Topic | Summary | For more information |
|---|---|---|
| Are there any other related party arrangements in place? | Following Implementation of the Transaction, there will be a number of related party arrangements in place which, if Implementation occurs, will have received Sigma Shareholder approval under ASX Listing Rule Chapter 10 "Transactions with persons in a position of influence – Approvals required for certain acquisitions or disposals". Listing Rule 10.1 required Sigma Shareholder approval in respect of these related party arrangements, which are described in Section 6.6.<br><br>For these purposes, Related Parties are persons identified in Listing Rule 10.1, including Directors of Sigma, those persons who hold more than 10% of Sigma Shares or who are otherwise captured by Listing Rule 10.1.<br><br>The following persons will, following Implementation of the Transaction, be Related Parties of Sigma under Listing Rule 10.1:<br>• Mario Verrocchi;<br>• Jack Gance;<br>• Damien Gance;<br>• Danielle Di Pilla;<br>• Sam Gance; and<br>• Sasha Robertson (the spouse of Damien Gance),<br><br>together, the Existing Related Persons.<br><br>This is because each of them will either be a Director of Sigma, hold more than 10% of Sigma Shares or otherwise be captured by Listing Rule 10.1.<br><br>There are currently a number of commercial arrangements between the Existing Related Persons and the Chemist Warehouse Group. Following Implementation of the Transaction, these commercial arrangements, and any renewals or amendments of those arrangements, will become related party arrangements of Sigma. Accordingly, Sigma Shareholder approval under Listing Rule 10.1 must be obtained prior to Implementation of the Transaction (and Implementation of the Transaction will not occur should the approval not be obtained). This approval is being sought at the Sigma Shareholder Meeting. | Section 6.6 |

## 1.6 Overview of the Offer

| Topic | Summary | For more information |
|---|---|---|
| Who is the issuer of this Prospectus? | Sigma is the issuer of this Prospectus. | Section 7.2 |
| What is the Offer? | The Offer contained in this Prospectus is an offer of 10 new Sigma Shares at the Offer Price of $2.90 per Sigma Share to certain investors who have been invited to apply for Sigma Shares. | Section 7.2 |
| Why is the Offer being conducted? | The Offer is being made under this Prospectus to meet a condition imposed by ASX when it determined that, among other things, Sigma is not required to re-comply with ASX's admission and quotation requirements in connection with the Transaction. The Offer is conditional on Implementation of the Transaction and is made on the terms, and is subject to the conditions, set out in this Prospectus. | Section 7.1 and Section 7.2 |
| What is the price of Sigma Shares under the Offer? | The Offer contained in this Prospectus is an offer of 10 new Sigma Shares at the Offer Price of $2.90 per Sigma Share to certain persons who have been invited to apply for Sigma Shares. | Section 7.2 |
| Will the Shares be quoted on ASX? | Sigma Shares are already quoted on ASX under the existing code "SIG". Sigma will apply for quotation of any Sigma Shares issued under the Offer on the ASX.<br><br>Completion is conditional on ASX approving this application and Implementation of the Transaction. If ASX approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.<br><br>Sigma is required to comply with the Listing Rules, subject to any waivers obtained by the Sigma from time to time.<br><br>ASX takes no responsibility for the contents of this Prospectus or the investment to which it relates. The fact that ASX may grant quotation of the Sigma Shares on ASX is not to be taken as an indication of the merits of Sigma or the Sigma Shares offered for subscription. | Section 7.7 |
| Is the Offer underwritten? | No, the Offer is not underwritten. | Section 7.2 |
| What is the proposed use of funds raised under the Offer? | The Offer will raise up to $29 before expenses. Any proceeds from the Offer will be used for general corporate purposes. | Section 7.2 |
| Are there any brokerage, commission or stamp duty charges payable by applicants? | No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Sigma Shares under the Offer. | Section 7.2 |

| Topic | Summary | For more information |
|---|---|---|
| What are the tax implications of investing in Sigma Shares? | A summary of certain Australian tax consequences of participating in the Offer and investing in Shares is set out in Section 9.13.<br><br>It is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances. | Section 9.13 |
| How can I apply? | Investors who are invited to apply under the Offer will receive a personalised Offer invitation. If an investor wishes to apply for the Sigma Shares, they must follow the instructions on their personalised invitation. | Section 7.2 |
| When will I receive confirmation my application has been successful? | The contracts formed on acceptance of applications will be conditional on Implementation of the Transaction. Subject to Implementation occurring, it is expected that holding statements will be mailed to successful Applicants on or about 13 February 2025.<br><br>Refunds (without interest) to Applicants who make an Application and receive an allocation of Sigma Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion. | Section 7.2 |
| Is the Offer conditional? | Yes, completion of the Offer is conditional on Implementation of the Transaction occurring. | Section 7.2 |

# 2 Industry overview

# 2. Industry overview

## 2.1 Introduction

The Merged Group will primarily operate in the supply chain of the Australian pharmacy industry as a pharmaceutical wholesaler, distributor and retail franchisor (together with international operations as described in Section 3.3). The Australian retail pharmacy industry is a channel within the broader Australian health and beauty retail industry which includes the sale of health and beauty products through alternative channels such as supermarkets, a range of other retailers and specialist health and beauty stores.

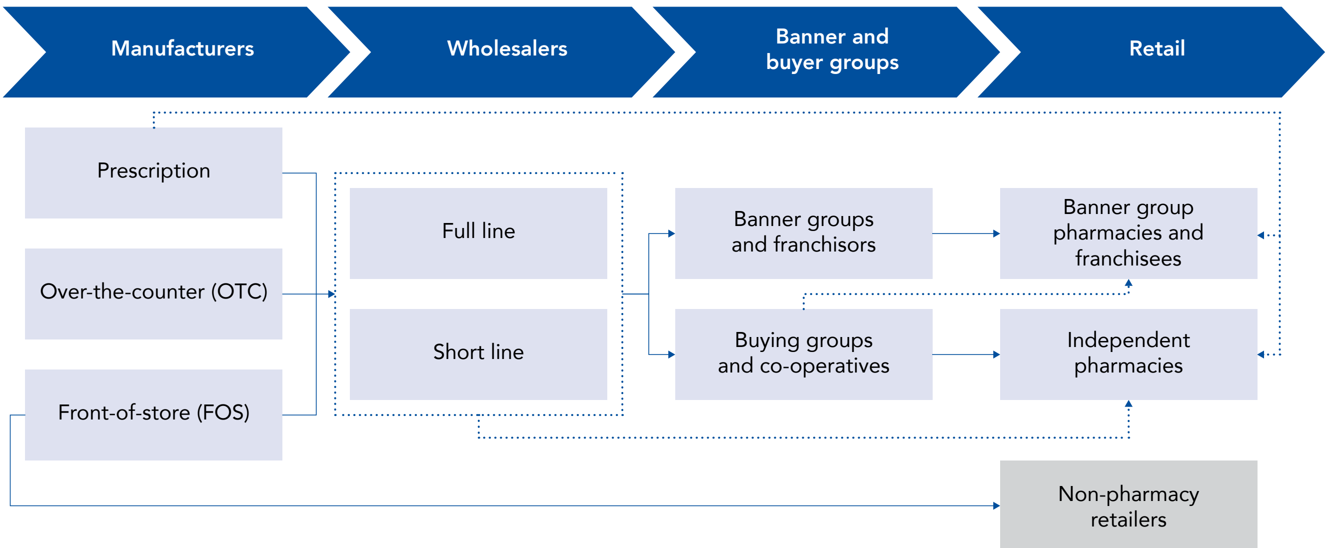
The supply chain of the Australian pharmacy industry is defined by four key segments:

- **Pharmaceutical manufacturers:** Pharmaceutical manufacturing involves manufacturing products such as prescription products and "over the counter" products generally only available in pharmacies and may also involve manufacturing a range of complementary and other "front of store" products available in retail outlets other than pharmacies. FOS products also include a broad range of products which are not medicines and are not manufactured by pharmaceutical manufacturers, such as beauty products.
- **Pharmaceutical wholesalers:** Pharmaceutical wholesaling involves product procurement, storage, and distribution. Participants may either be "full-line" wholesalers that distribute the majority of products that a pharmacy may require, or "short line" wholesalers that generally deal in a narrower product range. Wholesalers of PBS medicines may enter into Community Service Obligation agreements with the Commonwealth Government (known as CSO distributors). CSO distributors are eligible to earn income from the Government's CSO funding pool if they comply with obligations to deliver the full range of PBS medicines to all pharmacies irrespective of the size or location of the pharmacy (with limited exceptions), within prescribed timeframes (within 24 hours for low volume medicines) and in accordance with strict service standards and compliance requirements.
- **Banner and buying groups:** Banner groups are groups of pharmacies operating under a common brand, which are often operated as franchises. Banner groups typically provide services and support to their members. Many banner groups also provide their members with intellectual property and branding which members may utilise. The services and support provided to banner group members will depend on the particular banner group but can include administration/head-office functions, marketing and advertising services, access to advantageous trading terms in supply agreements, assistance with store layout, fit-out and location selection, and in some cases business advice and financial support.

  Buying groups are groups of pharmacies where the buying group collectively negotiates with wholesalers for the benefit of the members of the buying group who can avail themselves of the negotiated prices. Pharmacies may also receive other benefits such as corporate support and marketing services, while retaining their own independent branding.

  Pharmacies do not need to be a part of a banner or buying group and choose the commercial arrangements which best suit their requirements.
- **Retail pharmacies:** Retail pharmacies supply prescription products, OTC products and FOS products to Australian consumers.

**Figure 1: Overview of the Australian pharmacy industry**




While the activities of the Merged Group will be confined to participation as a wholesaler, distributor and retail franchisor (banner group) in Australia, demand for the Merged Group's products and services will ultimately be determined by demand from retail consumers for prescription, OTC and FOS products and related services supplied by pharmacies.

This Section provides an overview of the Australian retail pharmacy industry, being the retail segment of the broader pharmacy industry, including a summary of the key trends and competitive dynamics. It also provides an overview of the Australian pharmaceutical wholesale and distribution industry given that post-Implementation, the Merged Group will supply prescription, OTC and FOS products to pharmacies including independent pharmacies.

## 2.2 Retail

### 2.2.1 Size

There are approximately 6,000 pharmacies registered to dispense PBS medicines in Australia.[30] The number of registered pharmacies in Australia has been broadly stable over time, increasing from approximately 5,800 pharmacies in 2019.[31]

Total spending on retail pharmacy products is growing, driven by a number of structural and demographic trends including:

- **Population ageing:** In the 30-year period from 1993 to 2023, the proportion of the Australian population aged 65 and over has increased from 12% to 17%.[32] This age group demographic is estimated to account for 53%[33] of pharmaceutical consumption within the industry. This growing ageing demographic has increased demand for pharmaceutical products, representing a significant growth driver of the Australian retail pharmacy industry.
- **Growing healthcare spending:** According to the World Bank, between 2000 and 2021, total healthcare spending in Australia increased from 7.6% of GDP in 2000 to 10.5% of GDP in 2021.[34] Total Government expenditure on health in 2023-24 is estimated to be $101 billion, representing 15.5% of the Australian Government's total expenditure, and this is expected to increase to $123 billion in 2027-28.[35]

  Total Government expenditure on PBS medicines was $17.0 billion in 2022-23 and has grown at a CAGR of 6.7% since 2001-02 until 2022-23.[36] In the 2024-25 Budget, the Government announced additional funding of $3.4 billion over five years for new and amended listings on the PBS.[37]
- **Product innovation:** The continuing development of novel medications and wellness products is expected to drive an increase in the level of pharmaceutical and wellness product consumption as manufacturers offer new treatment options to address the range of healthcare needs.
- **Growth in value-added services:** In the midst of a competitive environment, some pharmacies are seeking to expand their full scope of practice, adopting a model focused on professional health services, such as patient medication reviews, providing dosage administration aids, immunisations and pharmaceutical assistance with preventative care for people with chronic conditions. In 2023, over 50% of pharmacies in Australia strengthened their professional service offering.[38]
- **Rising health consciousness:** Australian consumers have become increasingly aware of their health and wellbeing. This trend is driving consumers towards purchasing decisions aligned with this awareness, such as increasing spend on health products including vitamins and mineral supplements.[39]

### 2.2.2 Product mix

Australian pharmacy retailing includes the sale of prescription products, OTC products and a broad range of FOS products.

- **Prescription products:** These are products which can only be made available to a patient on the written instruction of an authorised health practitioner. These products may include PBS medicines or non-PBS products. All prescription products are approved by the Therapeutic Goods Administration (**TGA**) before they are able to be supplied. Examples of prescription products include blood pressure tablets, cancer medicine and strong painkillers.
- **OTC products:** These are products which do not require a prescription to purchase them, but are still evaluated by the TGA for quality, safety and efficacy. OTC products are only available in pharmacies. Some OTC products can be supplied without the involvement of a pharmacist (ie on the shelf; known as Schedule 2 medicines) while others can only be purchased after consultation with a pharmacist (known as Schedule 3 medicines). Examples of OTC products include non-prescription analgesics such as aspirin and paracetamol, hayfever treatments containing antihistamines, antiseptics, and some topical antifungals.
- **FOS products:** These are products which are not prescription products nor OTC products. Examples of FOS products include vitamins, cosmetics, skincare, and fragrances. Australian medicine scheduling legislation allows for some pharmaceuticals (unscheduled medicines), for example paracetamol in small pack sizes, to be sold by general retail stores and are therefore also FOS products.

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30. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%2013%20June%202024_0.pdf).
31. PBS Expenditure and Prescriptions Report, 30 June 2019 (https://m.pbs.gov.au/statistics/expenditure-prescriptions/2019-2020/PBS_Expenditure_and_Prescriptions_Report_1-July-2019_to_30-June-2020.pdf).
32. Australian Institute of Health and Welfare, Profile of Australia's Population, accessed 28 October 2024 (https://www.aihw.gov.au/reports/australias-health/profile-of-australias-population).
33. Australian Institute of Health and Welfare, Older Australians, accessed 28 October 2024 (https://www.aihw.gov.au/reports/older-people/older-australians/contents/health/health-care-gps-specialists).
34. World Health Organization Global Health Expenditure Database, Current Health Expenditure Australia, 15 April 2024 (https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=AU).
35. Australian Federal Budget Paper No. 1, 14 May 2024 (https://budget.gov.au/content/bp1/download/bp1_2024-25.pdf).
36. PBS Expenditure and Prescriptions Report 2022-23, accessed 28 October 2024 (https://www.pbs.gov.au/statistics/expenditure-prescriptions/2022-2023/PBS-Expenditure-prescriptions-report-2022-23.pdf).
37. Australian Government | Department of Health and Aged Care, Budget 2024-25: Cheaper Medicines, 14 May 2024 (https://www.health.gov.au/sites/default/files/2024-05/budget-2024-25-cheaper-medicines_0.pdf).
38. CommBank Pharmacy Insight 2023, 17 August 2023 (https://www.commbank.com.au/articles/newsroom/2023/08/Pharmacy-Insights-2023.html).
39. IBISWorld Vitamin and Supplement Manufacturing in Australia Report, accessed 28 October 2024 (https://www.ibisworld.com/au/industry/vitamin-and-supplement-manufacturing/5417/).

For further information on the regulation of medicines, refer to Section 2.5.

In addition to these products, pharmacies also generate revenue from offering professional services to consumers. These services include, but are not limited to, vaccination services, cholesterol testing, medication reviews and management, diabetes screening and management, and the packing of dose administration aids.

### 2.2.3 Competition

#### 2.2.3.1 Pharmacies

Pharmacies compete on a number of factors including price, breadth of product range, scope of services, brand, location and convenience, including opening hours.

Pharmacies operate in a highly regulated environment. Establishing a new pharmacy (or relocating an existing pharmacy) is regulated at the Commonwealth level through the pharmacy location rules. For further information on the pharmacy location rules, please refer to Section 2.5.1.7.2.

In addition, under State and Territory laws, pharmacies in Australia must be owned by pharmacists, with limited exceptions. For further information on the pharmacy ownership laws, refer to Section 2.5.1.6. Whilst the ownership of pharmacies is highly fragmented (with regulations generally in place restricting the number of pharmacies capable of being owned by any one individual), some pharmacies may decide to enter into arrangements with a banner group and choose to provide their services under such banner brand, and/or they may choose to be part of a buying group.

#### 2.2.3.2 Banner groups and buying groups

Around 60% of Australia's pharmacies are part of a banner group, with the remainder being independents.[40]

Banner group services may be offered to pharmacists by retail franchisors. Retail franchisors compete for members on a number of factors including franchise fees, trading terms, brand offer and IP rights, and the suite of support and marketing services they offer members or franchisees, including promotional campaigns and offers. In addition to acquiring services from retail franchisors, pharmacists may also – or alternatively – choose to acquire services from or participate as a member of pharmacy buying groups. Under these arrangements the buying group may collectively negotiate with wholesalers and in doing so, members of the buying group can avail themselves of the negotiated prices. Independent pharmacies often use buying group services.

There are a significant number of franchisors of pharmacy banner brands, as well as pharmacy buying groups. Approximately 40-45% of all pharmacies operate under banner brands owned by one of the following major retail franchisors:[41]

- **The Merged Group (from Implementation)**: Chemist Warehouse, MyChemist, Amcal, and Discount Drug Stores brands, and Pipeline Stores (880 franchise pharmacies operating under these brands in Australia).[42]
- **EBOS:** TerryWhite Chemmart, healthSAVE, Ventura Health (which itself includes a number of brands, namely, Cincotta Discount Chemist and Max Value Pharmacy), and Good Price Pharmacy Warehouse (approximately 700 franchise pharmacies operating under these brands).[43]
- **Independent Pharmacies of Australia Group (IPA Group):** a buying group, which also offers brand services under the Alliance Pharmacy, Advantage Pharmacy, and Chemist Discount Centre brands (approximately 500 franchise pharmacies operating under these brands).[44]
- **Australian Pharmaceutical Industries (API):** Priceline, Soul Pattinson Chemist, and Pharmacist Advice brands (approximately 500 franchise pharmacies operating under these brands).[45]

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40. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%2013%20June%202024_0.pdf).
41. The number of franchise pharmacies aligned to a particular retail franchisor can change frequently and the exact position at any point in time may not be accurately or consistently disclosed in public sources. In this Prospectus, the approximate number of franchise pharmacies for some retail franchisors other than Merged Group have been sourced from the ACCC Sigma Chemist Warehouse Statement of Issues (dated 13 June 2024). These figures may understate or overstate the exact position as at 30 June 2024, however, are included in this Prospectus to provide directional guidance as to the relative size of some of the Merged Group's retail franchisor competitors. While these figures may have changed subsequent to the publication of the ACCC Statement of Issues (for example, on 22 July 2024 EBOS announced that its TerryWhite Chemmart brand had grown to 600 franchise pharmacies during July 2024) incomplete disclosure means it is not possible to accurately update this market data for all of the Merged Group's retail franchisor competitors and their respective banner brands.
42. As at 30 June 2024, there were 567 Chemist Warehouse Australian Franchise Network stores, comprising 517 Chemist Warehouse branded stores, 21 My Chemist branded stores, and 29 Pipeline Stores, and 313 Sigma franchise stores, comprising 209 Amcal branded stores, and 104 Discount Drug Stores branded stores. In September 2022, Sigma began a retail brand consolidation process to simplify its retail strategy by seeking to convert Guardian and PharmaSave branded stores to Amcal and Discount Drug Stores. Sigma closed the Guardian brand with effect from 31 January 2024. Since September 2022, Sigma has no longer offered the PharmaSave brand to new members. As at 30 June 2024, there were 37 PharmaSave branded stores, which are not included in the Merged Group's Retail Network figures presented. Sigma continues to provide support to PharmaSave stores in accordance with existing agreements.
43. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%2013%20June%202024_0.pdf).
44. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%2013%20June%202024_0.pdf).
45. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%2013%20June%202024_0.pdf).

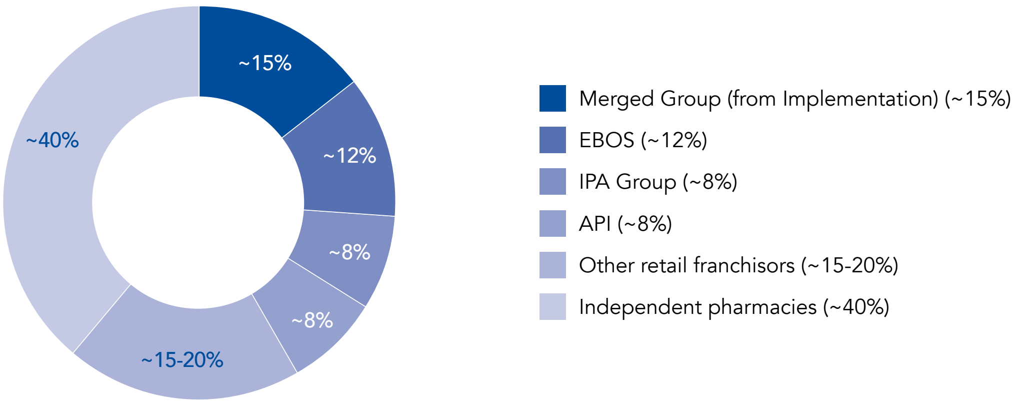
# 2. Industry overview continued

A further 15-20% of pharmacies operate under banner brands owned by small to medium retail franchisors.[46] Examples of small to medium retail franchisors include:

- **Chempro:** Chempro brand.
- **Blooms the Chemist:** Blooms the Chemist brand.
- **Direct Chemist Outlet:** Direct Chemist Outlet brand.
- **Pharmacy4Less:** Pharmacy4Less brand.
- **Pharmacy 777:** Pharmacy 777 brand.
- **Caremore:** a buying group and Caremore brand.

Of the franchisors set out above, Sigma (which will be part of the Merged Group on Implementation of the Proposed Transaction), EBOS, and API are also pharmaceutical wholesalers.

**Figure 2: Pharmacies by retail franchisor group (% of total registered pharmacies)[47]**




### 2.2.3.3 Non-pharmacy retailers

Pharmacies also compete with non-pharmacy retailers for FOS products such as vitamins, dietary supplements, sports nutrition and other beauty and wellness products, as well as non-scheduled medicines. The top non-pharmacy retailers of FOS products include general retail stores including supermarkets, department stores, specialty stores including beauty and cosmetics retailers, vitamin and supplements retailers and online retailers. Legislation restricts the type of pharmaceuticals that general retail stores can stock, and the pack sizes they can offer. Only a small subset of all pharmaceuticals (such as paracetamol in small pack sizes) are able to be sold outside pharmacies in Australia.


46. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%2013%20June%202024_0.pdf).
47. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%2013%20June%202024_0.pdf).

### 2.2.4 Consumer trends

There are several consumer trends in Australia that are expected to impact the pharmacy market dynamics including:

- **Cost of living pressures:** The Consumer Price Index, a core measure of consumer inflation, has been at or above 3.0% (the upper end of the RBA's 2.0-3.0% inflation target) since June 2021, reaching a peak of 7.8% in December 2022 and remains elevated at 3.8% (as at June 2024).[48] In turn, real wages have fallen significantly over the same period.[49] As the cost of living increases, consumers may reduce spending on discretionary items or opt for more affordable alternatives. This may result in pharmacy consumers choosing discount formats or increasing demand for private label products.
- **Convenience:** Convenience is a primary driver in a consumer's decision of which pharmacy they visit, with convenience and location being the most important factor for one out of two Australians.[50]
- **Sustainability:** Australian consumers are increasingly aware of the impact of their purchasing decisions on the environment and society at large. This trend is expected to continue and may drive consumers towards purchasing decisions aligned with this awareness, such as being willing to pay more for products and services that are sustainable. This may result in pharmaceutical industry participants adopting initiatives to minimise waste across the supply chain and promote more sustainable product packaging.
- **Digital health:** Consumers are increasingly using technology to access healthcare services, including the use of electronic prescriptions and health apps. Over 219 million electronic prescriptions have been issued since May 2020, by more than 85,000 prescribers.[51] The use of technology is assisting in delivering superior healthcare services and is becoming increasingly mainstream given the convenience of the offerings.

## 2.3 Wholesale and distribution

### 2.3.1 Overview

Pharmaceutical wholesalers distribute prescription products, OTC products and FOS products to pharmacies and other non-pharmacy retailers.

Wholesalers are typically either full-line or short-line wholesalers:

- **Full-line wholesalers:** distribute the majority of pharmaceutical, healthcare and other products that pharmacies, hospitals and other health-related facilities and businesses may require (although some full-line wholesalers may only distribute to certain channels, eg pharmacies).
- **Short-line wholesalers:** provide a more limited range and service than full-line wholesalers.

Wholesalers may also be CSO distributors (refer to Section 2.1 for further information).

### 2.3.2 Competition

There are six full-line pharmaceutical wholesalers in Australia. Four of these wholesalers operate nationally, while two are State-based. Each of the six full-line wholesalers are CSO distributors. The six full-line wholesalers are:

- Symbion (**EBOS**) (a national operator);
- Australian Pharmaceutical Industries (**Wesfarmers**) (a national operator);
- Sigma (to be part of the Merged Group from implementation of the Proposed Transaction) (a national operator);
- Clifford Hallam Healthcare (**CH2**) (a national operator); and
- NPD (**National Pharmacies**) (a state-based operator with a presence in South Australia and Victoria); and
- Barretts (a state-based operator with a presence in Victoria).

Of these wholesalers, EBOS, API and Sigma are also retail pharmacy franchisors, while National Pharmacies is also a Friendly Society.

There are a number of requirements for participating in pharmaceutical wholesaling due to the high level of regulation, including for CSO distributors. For CSO distributors, there are eligibility requirements to attract CSO funding, which subsidises the high costs of delivery of PBS medicines to all pharmacies. To be appointed as a CSO distributor, there are certain criteria that are required to be met, and a distributor must enter into a CSO deed with the Commonwealth. CSO deeds have set terms (usually 5 years) and are negotiated on a periodic basis. For further information regarding regulatory barriers that pharmaceutical wholesalers are subject to, refer to Section 2.5.1.7.3.

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48. Australian Bureau of Statistics, Consumer Price Index, 31 July 2024 (https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/jun-quarter-2024).
49. Australian Bureau of Statistics, Wages, accessed 28 October 2024 (https://www.abs.gov.au/statistics/measuring-what-matters/measuring-what-matters-themes-and-indicators/prosperous/wages).
50. NAB Pharmacy Survey 2021, 19 August 2021 (https://business.nab.com.au/wp-content/uploads/2021/08/NAB-Pharmacy-report-FINAL.pdf).
51. Digital Health, Electronic Prescriptions, accessed 28 October 2024 (https://www.digitalhealth.gov.au/initiatives-and-programs/electronic-prescriptions).

Other requirements in pharmaceutical wholesaling are high upfront capital costs and the need to maximise economic efficiencies. Pharmaceutical wholesaling involves significant upfront capital costs associated with establishing the necessary infrastructure, including distribution centres. In addition to the upfront cost of the distribution centres, which can be leased, there is also a need for scale of distribution in order to achieve economies of efficiency, which supports the financial viability of a wholesaling venture. Further, there are significant costs involved in building-up inventory as CSO distributors are required to stock at least one brand of every medicine listed on the PBS and where there are multiple brands, the innovator brand and at least one generic equivalent.

In addition, the revenue streams on the distribution of PBS medicines are regulated based on a capped mark-up applied to the price of PBS medicines. CSO distributors are required to supply PBS medicines at or below the regulated marked-up price (refer to Section 2.5.1.7.1 for further information). As such, due to being businesses with a high fixed cost base, significant upfront capital intensity, and with regulated revenue streams, wholesalers are incentivised to maximise volumes through their distribution networks. This results in considerable price competition between wholesalers to win volumes and utilise their distribution capacity.

While pharmaceutical wholesalers primarily compete on the basis of price, purchasing decisions of their customers are also influenced by their available product range, trading terms, and wholesale service standards including delivery times and stock availability. Pharmacies tend to have a first-line wholesaler from whom they acquire a larger proportion of their PBS and other products to minimise transaction costs and maximise discounts and volume rebates. However, pharmacies may also have second and often third-line wholesalers, which they use as an alternative source of supply for their products. While a franchisor may have (or franchisors that also have wholesale operations, may offer) a first-line wholesale supply agreement with their franchise members, those members may still choose to buy from other wholesalers if they receive better trading or service terms. Furthermore, CSO distributors are still legally required to supply any pharmacies, including franchise members of banner brands that they do not own.

### 2.3.3 Wholesale trends

There are a number of key trends impacting wholesaler revenues:

- **Continuous government investment in new medicines:** Government investment in new PBS medicines continues to grow. The Government approved additional funding for over 250 new and amended listings on the PBS from July 2022[52] until October 2024, and has announced in the 2024-25 budget that it will provide $3.4 billion in funding over the next five years for new and amended listings on the PBS.[53]
- **Price reductions on existing PBS medications:** The Government keeps track of in-market pricing through a process called price transparency and may reduce the Australian ex-manufacturer price in certain circumstances, which has an adverse impact on the wholesale mark-up received by PBS distributors (see Section 2.5.1.7.1 for further details).
- **Regulations to improve affordability and public access:** Government regulations designed to improve public access to prescription products, such as multiple pack and 60-day dispensing, may impact the profitability of distributing certain products or the adequacy of the existing (or intended future) Government CSO funding arrangements.
- **Increase in the proportion of complex/high care medicines:** The introduction of medicines with specialised storage and handling requirements may require investment in dedicated supply chain solutions, as well as specialised security and reporting measures.

52. Department of Health and Aged Care, New Cheaper Medicines for Autoimmune Conditions, Cancer, and Heart Disease, 8 October 2024 (https://www.health.gov.au/ministers/the-hon-mark-butler-mp/media/new-cheaper-medicines-for-autoimmune-conditions-cancer-and-heart-disease?language=en).
53. Australian Federal Budget Paper No. 2, 14 May 2024 (https://budget.gov.au/content/bp2/download/bp2_2024-25.pdf).

## 2.4 Other geographies

Outside of Australia, the Merged Group will also operate in New Zealand, Ireland, China and Dubai. The business model in each country differs (refer to Section 2.5), with the Merged Group primarily intending to operate as either a retail pharmacy franchisor or retail pharmacy owner (either partially or wholly).

**Figure 3: Key international markets**

| Geography | Key characteristics and drivers |
|---|---|
| New Zealand[54] | • The New Zealand retail pharmacy industry is mature and is characterised by pharmacy ownership regulation and increasing competitive pressures.<br>• Key legislation includes the Medicines Act 1981 (NZ), which includes ownership regulations requiring that more than 50% of the share capital in a company which operates a pharmacy must be owned by registered pharmacists (albeit the pharmacists' economic interest may be less than 50%) and that those registered pharmacists have 'effective control' of the company. For further information on the regulatory framework in New Zealand, refer to Section 2.5.2.<br>• Key drivers of this market include a growing and ageing population (the primary consumers of pharmaceutical products), technological innovation, and rising health consciousness among consumers.<br>• There are approximately 1,000 registered pharmacies in New Zealand.[55] |
| Ireland[56] | • The Irish pharmacy retail industry is characterised by pricing regulations, recent industry consolidation, and corporate fragmentation.<br>• Unlike Australia and New Zealand, the ownership of pharmacies in Ireland is deregulated and not subject to the rules mandating ownership or minimum ownership by registered pharmacists. For further information on the regulatory framework in Ireland, refer to Section 2.5.3.<br>• As a result of the COVID-19 pandemic, the Irish market has seen medicine shortages and a lack of qualified pharmacists. However, ongoing measures to address medicine shortages (eg EU initiatives to stockpile medicines) and staff shortages (in December 2023, the Irish government increased the list of critical skills occupations, making it easier for employers to obtain permits for workers from abroad) are expected to drive growth in the sector.<br>• Key drivers of this market include a growing trend towards health and wellbeing and preventative health, and the growing presence of discount pharmacies which represent an attractive offering to the Irish consumer under inflationary pressure.<br>• The are approximately 2,000 registered pharmacies in Ireland.[57] |
| China[58] | • The Merged Group's operations in China relate to FOS goods and OTC products, but no prescription products are sold.<br>• The Chinese health and beauty industry is a large and growing market.<br>• For information on the regulatory framework in China, refer to Section 2.5.4.<br>• Key drivers of this market include changing consumer demographics and rising disposable incomes, increasing demand for natural and organic products, and the continued rise in e-commerce and retail digitalisation as more consumers choose to transact online.<br>• The health and beauty industry in China is highly fragmented. |
| Dubai[59] | • The Dubai retail pharmacy industry is characterised by convenience-focused consumers given the high-population density and growing competition from international brands.<br>• For information on the regulatory framework in Dubai, refer to Section 2.5.5.<br>• Key drivers of this market include a growing population with rising disposable incomes, the continued presence of Dubai as the commercial capital of the UAE, and continued government support for the retail pharmacy sector.<br>• There are approximately 1,500 registered pharmacies in Dubai.[60] |

54. BDO, Pharmacy in New Zealand: A Dynamic and Exciting Industry, 3 October 2021 (https://www.bdo.nz/en-nz/insights/pharmacy/pharmacy-in-new-zealand-a-dynamic-and-exciting-industry).
55. Health New Zealand, Community Pharmacy, accessed 28 October 2024 (https://www.tewhatuora.govt.nz/health-services-and-programmes/community-pharmacy).
56. IBISWorld Dispensing Chemists in Ireland Report, accessed 28 October 2024 (https://www.ibisworld.com/ireland/market-research-reports/dispensing-chemists-industry/#Methodology).
57. Pharmaceutical Society of Ireland, 2023 Annual Report, 28 June 2024 (https://www.psi.ie/sites/default/files/2024-06/Annual%20Report_2023.pdf).
58. China Briefing, China's Cosmetics and Personal Care Market: Key Trends and Business Outlook, 20 July 2023 (https://www.china-briefing.com/news/chinas-cosmetics-and-personal-care-market-key-trends-and-business-outlook/).
59. Tech Sci Research, UAE Pharmacy Retail Market, accessed 1 November 2024 (https://www.techsciresearch.com/report/uae-pharmacy-retail-market/9407.html).
60. Dubai Health Authority, Dubai Medical Registry (https://services.dha.gov.ae/sheryan/wps/portal/home/medical-directory).

## 2.5 Regulatory framework

### 2.5.1 Australia

#### 2.5.1.1 Introduction

The main areas of regulation which will affect the Merged Group's business are:

- Federal therapeutic goods legislation which applies at the product level, to regulate the pharmaceuticals that are permitted to be supplied in Australia and the indications for which they may be sold and used.
- State and Territory medicines and poisons legislation, which regulates physical access to pharmaceuticals (along with other potentially dangerous substances), including requiring wholesalers of medicines to be licensed and regulating prescriptions. Retail access to pharmaceuticals is also impacted by Federal therapeutic goods legislation which regulates the advertising of medicines.
- State and Territory health practitioner registration legislation. These laws regulate the profession of pharmacy (along with other health professions).
- State and Territory pharmacy ownership laws, which prohibit non-pharmacists from having an ownership/proprietary or financial (NSW only) interest in pharmacy businesses (with limited exceptions).
- Federal legislation regulating the PBS. The PBS is a scheme under which the Commonwealth subsidises the cost of many pharmaceuticals purchased by Australian citizens and residents from approved pharmacies. To support the PBS, the Federal Government also pays subsidies direct to eligible wholesalers for distributing PBS pharmaceuticals under and in compliance with contractual arrangements known as CSO deeds.
- The Franchising Code which is a mandatory industry code applying to franchise agreements under the *Competition and Consumer Act 2010* (Cth). The Franchising Code applies to franchisors and pharmacy businesses which choose to operate under a franchise brand and system.

#### 2.5.1.2 Product regulation of pharmaceuticals

It is prohibited to supply pharmaceuticals in Australia unless the product is either 'listed' or 'registered' by the **TGA** on the Australian register of therapeutic goods (**ARTG**) (unless the product is excluded or exempt).

Whether a product needs to be listed or registered depends on how it is intended to be used (which are referred to as its 'indications'). Products with low risk indications – for example, for use in the relief of symptoms associated with low risk conditions – may be listed, provided that they only contain ingredients which are known to be safe. Products with higher risk indications, or which are used to treat or manage more serious conditions, must be registered – which requires that the 'sponsor'[61] submits data to the TGA which demonstrates the quality, safety and efficacy of the pharmaceutical.

Wholesalers require licences under state and territory legislation for the wholesale supply of listed and registered pharmaceuticals. Australian manufacturers of both listed and registered pharmaceuticals must be licensed by the TGA.

#### 2.5.1.3 Physical access to pharmaceuticals

Australia uses a risk-based approach to regulating physical access to pharmaceuticals. An expert committee (the Advisory Committee on Medicines Scheduling) makes recommendations to the Secretary of the Federal Department of Health about the appropriate level of access to various substances, and therefore to pharmaceuticals which contain such substances. Substances are categorised into 'schedules' under a Federal regulation – the Poisons Standard (also known as the Uniform Scheduling of Medicines and Poisons) – based on these recommendations. The Poisons Standard is given effect through relevant State and Territory medicines and poisons legislation, with the vast majority of medicines and poisons classified by State or Territory governments in accordance with the Poisons Standard. State and Territory legislation may include additional requirements regarding access to some substances.

Relevant schedules under the Poisons Standard are:

- Schedule 2 (**S2**) – pharmacy medicines;
- Schedule 3 (**S3**) – pharmacist only medicines;
- Schedule 4 (**S4**) – prescription only medicines; and
- Schedule 8 (**S8**) – controlled medicines.

S2 and S3 medicines are referred to in this document as 'OTC products', and S4 and S8 medicines are referred to as 'prescription products'. Low risk pharmaceuticals are 'unscheduled' which means they can be sold in any retail setting, including supermarkets. Examples include paracetamol in smaller pack sizes.

61. The sponsor is a person or company who exports or imports therapeutic goods into or from Australia, manufactures therapeutic goods for supply in Australia or elsewhere or arranges for another party to import, export or manufacture therapeutic goods.

Under State and Territory medicines and poisons legislation, businesses which sell S2, S3, S4 or S8 medicines by wholesale must have a wholesale licence. A separate licence may be required for each location from which the business supplies OTC and prescription products by wholesale. These laws also regulate the permitted categories of customers to which licensed wholesalers may sell OTC and prescription products, including pharmacy businesses and other licensed wholesalers.

Supply of pharmaceuticals at the retail level (that is, to the consumer) may only be undertaken by certain categories of businesses and institutions (eg by hospitals to inpatients). Pharmacies are permitted to supply S2, S3, S4 and S8 medicines at the retail level as follows:

- S2 medicines may be displayed for purchase off the shelf by consumers within a pharmacy. The sale does not need to be processed by a pharmacist, but a pharmacist must be in charge of the pharmacy business at all times it is open.
- The rules for S3 medicines (also referred to as behind the counter medicines) vary between jurisdictions eg in NSW the pharmacist must 'personally hand' the medicine to the customer; whereas in Queensland the requirement is that the pharmacist has determined that the patient has a therapeutic need for the medicine (in both cases, instructions for use must be given at the time of supply).
- S4 medicines can only be supplied where the pharmacy has received a valid physical or electronic prescription. Prescriptions can only be issued by medical practitioners and (in certain circumstances) other health practitioners (eg nurse practitioners and dentists). Supply based on a verbal instruction with a written prescription to follow is permissible in emergencies.
- S8 medicines (eg medicines with addictive properties) can only be supplied on prescription and are subject to additional controls.

#### 2.5.1.4 Advertising of pharmaceuticals

S2 and some S3 medicines can be advertised to consumers. Other S3 medicines, S4 and S8 medicines cannot be advertised to consumers, but can be the subject of marketing activities exclusively directed towards health professionals. Where advertising is permitted, it must be accurate, balanced, not misleading or likely to be misleading, and promote the safe and proper use of the medicine (among other requirements). For products which are listed (rather than registered) on the ARTG, where efficacy data has not been submitted to the TGA, this restricts the statements that can be made about the product – for example, it may be permissible to advertise a complementary medicine as being 'traditionally used' for a particular indication, but not as a treatment for that indication.

Certain compulsory statements (eg 'Always read the label and follow the directions for use') must be included in advertisements for some product categories.

#### 2.5.1.5 Pharmacist professional registration

Australia operates a national system for health practitioner registration under standardised State and Territory laws, each referred to as the 'Health Practitioner Regulation National Law' of the relevant State or Territory (generically, **National Law**). Where a profession is listed as a 'health profession' under the National Law, a person must not adopt a title associated with that profession unless they have been registered by the relevant national Board – relevantly for the Merged Group, 'pharmacist' is a regulated title and pharmacists must be registered by the Pharmacy Board of Australia.

#### 2.5.1.6 Pharmacy ownership laws

When Australia standardised its health practitioner registration laws in 2009, it was left to individual States and Territories to determine how they wanted to regulate the ownership of pharmacy businesses and accordingly these laws vary between jurisdictions. All States and Territories prohibit someone other than a pharmacist[62] or a corporate entity controlled by pharmacists having an ownership or proprietary interest in a pharmacy business. In NSW, it is also prohibited for someone other than a pharmacist to have a 'financial interest' in a pharmacy business (a financial interest includes a proprietary interest).

These laws do not prohibit normal contractual relationships between commercial counterparties and pharmacy businesses – for example landlord/tenant, wholesaler/customer, franchisor/franchisee and lender/borrower. However, a commercial counterparty cannot have an interest in the revenue or profit of a pharmacy business, and/or a level of control over a pharmacy business, which is similar to the position of an owner or part-owner of the pharmacy business. For example, a landlord can charge a pharmacy business tenant a market rate of rent as a lump sum, but cannot charge turnover rent.

Every State and Territory other than Queensland[63] requires that before a pharmacy business is opened, relocated, or subject to a change of ownership, an approval is obtained from the pharmacy business regulator in that jurisdiction. These regulators require that certain commercial agreements proposed to be entered into (or already in place, in the context of a relocation or change of ownership) to support the pharmacy business are submitted with the application, and if the regulator considers that the agreements will result in a commercial counterparty having a prohibited interest in the pharmacy business, the application will be rejected.

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62. Or, in some jurisdictions, a pharmacist's spouse and/or other close relatives.
63. The Queensland Parliament has passed the *Pharmacy Business Ownership Act 2024* which, when fully commenced, will introduce a system of licensing for pharmacy businesses in Queensland for the first time. Commencement of the licensing provisions is expected to occur by late 2025 (by proclamation) or will otherwise automatically commence on 29 March 2026.

In addition, every Australian jurisdiction (but not the ACT or Northern Territory, where there is no maximum) regulates the maximum number of pharmacy businesses in which a pharmacist (or other eligible person) can hold an ownership/proprietary (or, in NSW, a financial) interest. The maximum number is 6 in South Australia, 5 in NSW, Victoria and Queensland and 4 in Western Australia and Tasmania. These numbers are not cumulative eg a single pharmacist can have an interest in 5 pharmacies in NSW, another 5 in Victoria, another 5 in Queensland and so on.

NSW, Victoria and Queensland laws also render certain provisions in agreements between commercial counterparties and pharmacy businesses void, including consideration that varies with the revenue or profits of the pharmacy business, and provisions which confer control of the pharmacy business on the commercial counterparty[64]. NSW's and Queensland's laws additionally render void any requirement that the pharmacy business must purchase goods or services from a particular supplier.

### 2.5.1.7 Pharmaceutical benefits scheme

#### 2.5.1.7.1 Pricing and co-payments

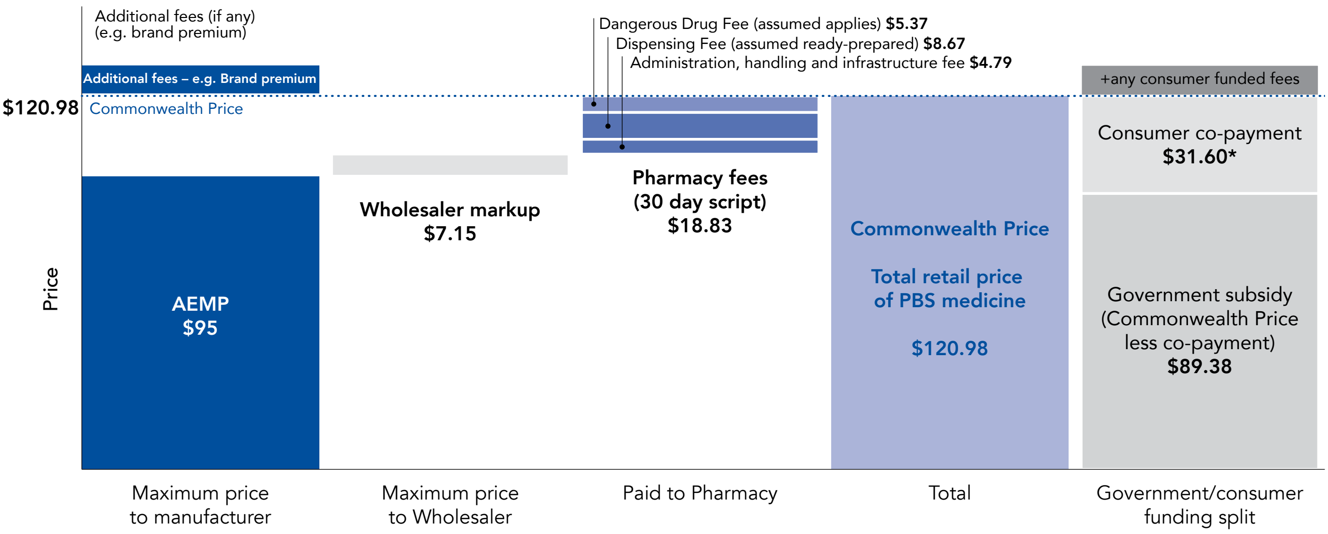
Most of the prescription products which are commonly used in Australia are listed on the PBS, which means that when an Australian citizen or resident buys the pharmaceutical from a pharmacy, the Federal Government regulates the retail price charged by the pharmacy.

At the retail level, the regulated price is known as the 'Commonwealth Price'. The Commonwealth subsidises the cost to consumers if the Commonwealth (ie retail) Price is above a certain threshold, known as the 'co-payment',[65] In this case, the consumer will only pay the co-payment with the balance of the Commonwealth Price paid as a subsidy to the pharmacy business.

There are two levels of co-payment – one for individuals who hold a government concession card (currently $7.70 per prescription) and one for other consumers (currently $31.60 per prescription).[66] As part of the 2024-2025 budget, the Federal Government announced that the indexation of the co-payment amount will be frozen from 1 January 2025 for 5 calendar years (until 2029) for concession card holders, and for one year for general patients, after which time each co-payment amount shall continue to be adjusted in line with movements in the Consumer Price Index (**CPI**).

Figure 4 below provides a simplified illustration of the components of the Commonwealth Price.[67]

**Figure 4: Commonwealth Price components – simplified overview**




* For concessional consumers, the co-payment is $7.70. Under safety net arrangements, once a threshold amount of co-payment expenses is met in a calendar year, the co-payment reduces to $7.70 (general) and nil (consessional). In each case, if the co-payment is lower, the Government subsidy increases by the same amount. Where discounting is permitted, and the pharmacy opts to discount the co-payment, the 'Paid to Pharmacy' amount is reduced by the amount of the discount and there is no corresponding increase in the Government subsidy.

64. This is an offence in the Northern Territory.
65. There are some instances where a consumer is required to pay certain allowable amounts or fees above the co-payment which the Federal Government does not subsidise. An example is where a consumer chooses a branded PBS pharmaceutical rather than the substitutable generic version, and the manufacturer of the brand charges a 'brand premium'. The pharmacy must charge the brand premium to the consumer.
66. Safety net arrangements are in place to reduce the co-payments once a person's aggregate co-payments in a calendar year reach a threshold.
67. Assumptions based on relevant fees as at 1 January 2025: i) Assumed AEMP of $95.00; ii) Wholesale mark-up calculated at 7.52% of $95.00 AEMP ($7.15, rounded to 2 decimal places); iii) AHI fee calculated at tier 1 AHI fee (set at $4.79); (iv) Dispensing fee assumed to be ready-prepared, which is currently fixed at $8.67; (v) Dangerous drug fee assumed to apply, which is currently fixed at $5.37; (vi) Pharmacy fees assume 30 day script only, and does not take into account any 'Additional Community Supply Support' payments payable under the 8CPA in respect of 60 day dispensing; (vii) Total Commonwealth Price (the sum of the AEMP + wholesaler mark-up + pharmacy fees) is $120.98. As the total Commonwealth Price is above the co-payment, additional pharmacy fees are not applicable (ie the safety net recording fee and allowable additional patient charge); (viii) Assumed no allowable additional consumer fees apply, although if applicable, these would be funded by the consumer as shown; (xi) Total consumer payment is the co-payment of $31.60 (+ any additional consumer funded fees). Government subsidy is calculated at $89.38 (Commonwealth price less co-payment).

Figure 4 shows, the Commonwealth Price for a PBS pharmaceutical is based on:

- **Australian ex-manufacturer price (AEMP):** this is the maximum price a manufacturer/sponsor can charge and is approved by the Federal Government as part of the process for listing a pharmaceutical on the PBS. Where both branded and generic versions of a pharmaceutical are listed on the PBS, the AEMP is the manufacturer's price for the least-expensive generic version of the pharmaceutical available in Australia.
- **Wholesaler mark-up:** this is the maximum mark-up a wholesaler can charge and is calculated using a prescribed formula.
- **Pharmacy Fees:** these fees represent the remuneration to which pharmacists are entitled for dispensing PBS pharmaceuticals, and include an administration, handling and infrastructure fee, dispensing fee, and dangerous drug fee (as applicable).[68]

The Federal Government keeps track of in-market pricing through a process called price transparency or price disclosure and may reduce the AEMP if in-market pricing is lower than the AEMP, which also reduces the Commonwealth Price for that pharmaceutical.

Importantly, the PBS arrangements do not guarantee that either the manufacturer receives the AEMP from the wholesaler, or that the wholesale price paid by the pharmacy is equal to the AEMP plus the wholesale markup – at both the manufacturer and wholesaler level, actual prices are a function of market forces.

Prior to 1 January 2025, pharmacies were permitted to discount the co-payment by up to $1.00, however this permitted discount is being phased out while annual adjustments to the PBS patient co-payment amounts in line with CPI are frozen. The amount of the permissible discount will decrease by the amount of indexation (in dollars) that would have applied to a patient's PBS co-payment until the amount of the discount reaches zero. For the calendar year of 2025, the allowable co-payment discount will decrease by:

- $0.90 to $0.10 for general patients; and
- $0.20 to $0.80 for concessional patients.

Prior to 1 September 2023, participating pharmacies were only authorised to supply up to 30 days' worth of a PBS pharmaceutical in a single sale. Since that date, up to 60 days' worth of certain PBS pharmaceuticals may be supplied in a single sale. The medicines which are eligible for '60 day prescribing' were considered by the Pharmaceutical Benefits Advisory Committee (PBAC) to be clinically safe and suitable for supply in larger quantities. An initial approved list applied from 1 September 2023 ('stage 1'), with more medicines added from 1 March 2024 ('stage 2') and 1 September 2024 ('stage 3').

Consumers who receive a 60 day supply pay one co-payment rather than two (as they would have paid for two 30 day supplies), making the pharmaceutical more affordable. Because of the way the Commonwealth Price is calculated, pharmacies generate less revenue from 60 day prescribing compared to two 30 day supplies of the same pharmaceutical, although adjustments to payments to pharmacists agreed under the latest Community Pharmacy Agreement (see Section 2.5.1.7.4) are intended to minimise this impact on pharmacies while making pharmaceuticals cheaper for patients. Similarly, 60-day prescribing means wholesalers may generate less revenue from the wholesaler mark-up, although adjustments to the CSO funding pool (see Section 2.5.1.7.3) are intended to minimise this impact on wholesalers.

#### 2.5.1.7.2 Approval of participating pharmacies

Pharmacies are not automatically eligible to participate in the PBS but must hold an approval from the Secretary of the Department of Health and Aged Care, who acts on the recommendation of the Australian Community Pharmacy Authority. A pharmacy which does not hold a PBS approval does not receive subsidies, which may make the business unsustainable. PBS approvals are location specific and eligibility is based on (1) the characteristics of the proposed location eg same town, whether or not in a shopping centre; proximity to doctors; in combination with (2) proximity to existing PBS-approved pharmacies. The permissible proximity to existing PBS-approved pharmacies varies depending on the location characteristics. These rules are called the 'location rules'. A PBS approval is not available if the pharmacy can be directly accessed through a supermarket.

The location rules also regulate when a PBS-approved pharmacy can move to another location and retain its approval. Unless an exception applies, relocations are only permitted once every 5 years. The new location must be within a specified distance of the existing location (again, the rules vary for different location characteristics).

68. Other fees may also be permitted in certain circumstances.

### 2.5.1.7.3 CSO deeds and pharmaceutical wholesaler agreement

In addition to making PBS medicines affordable at the retail level, Federal Government policy recognises that timely access to the full range of PBS medicines at the retail level requires that pharmaceutical wholesalers are willing to service orders from pharmacies in circumstances which may be uneconomic eg a small order which needs to be delivered promptly to a remote location. To manage this, the Commonwealth enters into CSO deeds with participating wholesalers, often referred to as 'CSO distributors'. Under the current CSO deeds, a pool of funding (**CSO funding pool**) is made available to be paid directly to CSO distributors in exchange for CSO distributors committing to and complying with 'CSO Service Standards' and 'CSO Service Requirements' including the following requirements:

- providing a single entry point for pharmacies to order PBS pharmaceuticals and communicate with the wholesaler;
- maintaining access to established infrastructure and sufficient financial capacity to meet the CSO deed requirements;
- satisfying quality standards including the Code of Good Wholesaling Practice for Medicines in S2, S3, S4 and S8 (**Wholesaling Code**) (the Wholesaling Code is published by a TGA committee);[69]
- supplying to any PBS-approved pharmacy (excluding bad debtors);
- the wholesaler's volume of sales of PBS pharmaceuticals to rural and remote pharmacy businesses not being more than 10% below the industry average;
- supplying any brand of any PBS pharmaceutical (with limited exceptions, such as where the manufacturer is out of stock or cannot supply);
- holding stock in its warehouses or distribution centres of at least one brand of every PBS pharmaceutical or for multi brand pharmaceuticals, at least one originator and one additional brand (ie a generic version);
- supplying low-volume PBS pharmaceuticals on request. The wholesaler's volume of such sales must not be more than 10% below the industry average;
- supplying any PBS pharmaceutical at or below the 'price to pharmacists', which is the AEMP plus the regulated wholesale margin (currently up to 7.5%), with a cap for high-cost items;
- not imposing cost imposts on PBS-approved pharmacies which double-compensate the wholesaler for distribution costs; and
- supplying any brand of any PBS pharmaceutical to any PBS-approved pharmacy within 24 hours for low volume pharmaceuticals or 72 hours for high volume pharmaceuticals (with limited exceptions, such as remote pharmacies).

CSO distributors receive a proportion of an annual CSO funding pool based on their share of wholesale supply of PBS pharmaceuticals expressed as a proportion of total wholesale supply of PBS pharmaceuticals by all CSO distributors. Historically, the CSO funding arrangements were included as part of previous community pharmacy agreements (discussed below). Existing CSO Deeds expire by 30 June 2025. Through ongoing negotiations with the Federal Government, it is anticipated that new CSO Deeds will be signed, and the pharmaceutical wholesale mark-up will be contained within the new Pharmaceutical Wholesaler Agreement.

On 19 December 2024, the first pharmaceutical wholesaler agreement (**1PWA**) was signed between the Commonwealth and the National Pharmaceutical Services Association Limited (**NPSA**), the industry body representing full-line CSO distributors. The 1PWA outlines the principles intended to apply to funding for pharmaceutical wholesalers for 5 years from 1 January 2025, covering both the CSO funding pool (for CSO distributors) and the wholesaler mark-up (discussed in section 2.5.1.7.1 above), and reflects an overall increase in Federal Government funding over the term of the agreement. The Commonwealth intends to enter into new, separate CSO deeds with each CSO distributor to reflect the terms of and give effect to the 1PWA.

### 2.5.1.7.4 Community Pharmacy Agreements

High level policy settings for the PBS including the location rules (and previously the CSO) are periodically agreed between the Federal Government and the pharmacy profession through the community pharmacy agreements (**CPAs**). The CPAs are agreements previously between the Commonwealth, the Pharmacy Guild of Australia (**Pharmacy Guild**) (which represents the proprietors of retail (community) pharmacies) and the Pharmaceutical Society of Australia (**PSA**) (Australia's peak body for pharmacists, including employed pharmacists),[70] but most recently only between the Commonwealth and the Pharmacy Guild. The CPAs generally run for 5 years. The current CPA, known as '8CPA'[71] came into effect on 1 July 2024. The previous iteration (7CPA), was originally due to expire on 30 June 2025, however the renegotiation was brought forward.

## 2.5.1.8 Franchising Code

Because of the pharmacy ownership laws, the Australian pharmacy sector does not include large corporate-owned retail pharmacy businesses, such as Boots in the UK or CVS in the USA. Instead, many pharmacy businesses choose to operate as a franchise under a well-known retail pharmacy brand, to leverage the benefits of brand awareness and scale (particularly in advertising and marketing). Pharmacy franchisors may also be wholesalers.

Where a pharmacy business acquires a combination of a brand licence and services from a commercial counterparty and as part of the arrangement may choose to operate under a system or marketing plan determined by that counterparty and make certain types of payments to the franchisor, the commercial relationship is regulated as a franchise under the Franchising Code, even if the parties do not see the relationship as a franchise (Australian law in this area takes a 'substance over form' approach).

69. Compliance with the Wholesaling Code is also a condition of the wholesale licence in some states and territories.
70. The Pharmacy Guild and the Pharmaceutical Society of Australia are industry/professional groups (they are not regulators). Membership of them is not compulsory for owners of pharmacy businesses and/or pharmacists.
71. It is the 8th iteration of this agreement.

Where the agreement(s) between a commercial counterparty and a pharmacy business are deemed to be a franchise under the Franchising Code, the parties must comply with the Franchising Code which regulates the conduct of the parties towards each other. This includes compliance regarding provisions in the relevant agreement(s) and compliance in relation to how the parties' rights under those agreements are exercised. Certain breaches of the Franchising Code attract penalties.

On 1 April 2025, the current Franchising Code will be replaced with a remade Franchising Code. The new Franchising Code includes some additional obligations on parties engaged in franchising, increases the penalty amounts for infringement notices issued for alleged breaches of civil penalty provisions, and expands the substantive obligations for which a breach may result in civil penalties.

Key obligations under the Franchising Code include:

| | |
|---|---|
| Act in good faith | Each party to a franchise agreement must act towards the other in good faith in respect of any matter arising in relation to the agreement and the Franchising Code. |
| Disclosure | Franchisors must maintain a disclosure document and key facts sheet relating to the franchise in a prescribed form. The disclosure document and key facts sheet must be provided to prospective franchisees prior to entry into the agreement and prior to renewal, transfer or extension. These documents include information about the franchisor, its financial performance and the terms of the franchise agreement. Franchisors must update these documents annually (in most cases).<br><br>In addition, a franchisor must provide to the franchisee:<br>• copies of any other specified documentation (such as leases);<br>• materially relevant facts (eg change of majority ownership or control of the franchisor or the franchise system; legal proceedings);<br>• notice in writing if the franchisor intends to extend the agreement or enter into a new agreement; and<br>• detailed information relating to any upcoming capital expenditure required from the franchisee.<br><br>A franchisor must also upload key disclosure information on to the Franchise Disclosure Register which is hosted by the Federal Government. From 1 April 2025 a key fact sheet will no longer be required. |
| Reasonable opportunity for return on investment | From 1 April 2025, franchisors must not enter into franchise agreements unless the agreement provides the franchisee with a reasonable opportunity to make a return, during the term of that agreement, on any investment required by the franchisor as part of entering into the agreement. |
| Prohibited items | Agreements must not contain:<br>• a general release of the franchisor from liability towards the franchisee;<br>• a waiver of verbal or written representations made by the franchisor;<br>• an obligation on the franchisee to pay legal costs of the franchisor in relation to entry into the franchise agreement (other than certain pre-disclosed costs related to preparing, executing and negotiating the franchise agreement) or the cost of settling disputes under the franchise agreement; or<br>• jurisdiction clauses which prevent a franchisee from bringing proceedings in the jurisdiction in which they are based. |
| Capital expenditure | A franchisor must not require a franchisee to undertake significant capital expenditure during the term of the agreement, unless it has been disclosed in the disclosure document provided to the franchisee prior to entering into or extending the agreement. |
| Termination | The Franchising Code provides a 14-day cooling off period for franchisees after entering into a new franchise agreement. It also prescribes the period of notice that the franchisor must provide to the franchisee for termination when the franchisee is in breach and for particular grounds of termination, and requires that the franchisor provide the franchisee with reasonable notice for termination where there has been no breach by the franchisee.<br><br>Franchisees may also propose termination at any time, and franchisors must provide a substantive response to any such proposal. From 1 April 2025, if the franchisor refuses to accept termination, the response must also contain the reasons for that refusal. |

### 2.5.2 New Zealand

The New Zealand regulatory system for access to medicines is similar to Australia, with supply of most medicines restricted to hospitals and retail sales in pharmacies (special licences are available in remote locations). New Zealand law also recognises a category of pharmacy only, non-prescription medicines ie OTC products. A limited range of low-risk medicines can be sold through general retail outlets. Pharmacies also sell a range of FOS products which is not a licensed activity.

Pharmacy businesses must be licensed by Medicines Control, part of the New Zealand regulator, Medsafe. Licensing is not subject to market-based restrictions (such as permissible proximity to the nearest pharmacy). Key licensing criteria relate to the suitability and capability of the pharmacy operator and the premises.

New Zealand law permits part ownership of pharmacies by non-pharmacists, provided that pharmacists hold a majority interest in the pharmacy. Where the pharmacy operator is a company, to obtain a licence from Medsafe:

- more than 50% of the share capital of the company must be owned by pharmacists who are registered in New Zealand; and
- effective control of the company (including the majority of voting rights at meetings of shareholders of the company and a majority of the voting rights on the board) must be held by pharmacists who are registered in New Zealand.

Provided that these requirements are satisfied, it is possible in New Zealand for a non-pharmacist to hold a majority economic (but not controlling) interest in a pharmacy operator. Underlying ownership of the applicant company is notified to Medsafe as part of the application process for a licence to operate a pharmacy.

No person (whether a registered pharmacist or corporate shareholder) may operate or hold a majority interest in more than 5 pharmacies. However, it is permissible for multiple sister companies (with the same non-majority shareholders) to operate and own more than 5 pharmacies in aggregate between them.

Regardless of the ownership of the pharmacy, a pharmacist must be in charge of the pharmacy at all times it is open and must personally undertake professional services, such as dispensing medicines on prescription.

Similar to Australia, the New Zealand Government subsidises the cost of most essential and widely-used medicines as well as certain high cost specialised medicines for New Zealand citizens and residents. Consumers buy subsidised medicines from community pharmacies and pay a regulated co-payment, which the pharmacy can discount. The New Zealand Government pays the pharmacy the balance of the regulated retail price. For some medicines, the subsidy does not cover the entire balance of the retail price above the co-payment, in which case an additional charge may be made to the consumer. Registered pharmacies are not automatically eligible to participate in the subsidy program but require an agreement, known as an Integrated Community Pharmacy Agreement, with Health NZ. In order to obtain an Integrated Community Pharmacy Agreement, Health NZ is required to agree that certain criteria are met. However, these agreements are not subject to competitive tender processes. There is no price regulation of non-subsidised medicines.

### 2.5.3 Ireland

Unlike in Australia and New Zealand, full corporate (non-pharmacist) ownership of pharmacies is permitted in Ireland and vertically integrated pharmacy businesses, such as Boots, operate in Ireland.

Irish law also distinguishes between on-prescription and pharmacy only products (which can only be sold by pharmacies) and general sale products (which can also be sold by general retail outlets). Pharmacies are required to be registered by the Pharmaceutical Society of Ireland. Standards apply for the premises and the policies and procedures in use in the pharmacy business but provided that these standards can be satisfied, registration is available. Registration is not subject to market-based restrictions. There are no restrictions on the number of pharmacies a company or individual can own. As in Australia and New Zealand, a pharmacist must be in charge of the pharmacy while it is open and undertake professional services within the pharmacy.

The Irish Government operates several schemes which together result in most widely-used medicines, and certain high cost specialised medicines, being partly or fully subsidised for Irish citizens and residents. Whether the customer pays a co-payment or not depends on the scheme – for example customers do not pay a co-payment under the Long-Term Illness Scheme which subsidises medicines for conditions such as diabetes, epilepsy, multiple sclerosis and cystic fibrosis. Co-payments are calculated per item with a monthly cap and discounting is permitted. Unlike in Australia and New Zealand, reimbursement under the subsidy schemes is not based on a retail price which includes a margin for the pharmacy, but rather on the assumed wholesale cost plus a dispensing fee (however if the pharmacy is able to buy the medicine at a wholesale price below the assumed wholesale cost, the pharmacy effectively makes a margin on the sale as well as receiving the dispensing fee). The exception is a program known as the High Tech Drug Scheme which is funded on a capitation model ie the pharmacy receives a monthly amount for customers it is managing under the scheme. Similar to New Zealand, participation in these schemes requires an agreement with the Health Service Executive, and these agreements are generally available. The price of non-subsidised medicines is not regulated in Ireland.

### 2.5.4 China

It is permissible for locally-registered companies established by foreign investors to own and operate pharmacies and retail shops in China. Apart from the routine and readily accessible business registrations, companies engaging in the retail of pharmaceutical products are required to obtain a Pharmaceutical Business License from the National Medical Products Administration.

Some multinational retailers prefer to operate through service arrangements with local partners. In such case, the local partners must obtain the Pharmaceutical Business Licences if they sell pharmaceutical products.

Companies engaging in retail of pharmaceutical products via online platforms are generally also required to obtain a Pharmaceutical Business License. However, if the pharmaceutical products are retailed to consumers via cross-border e-commerce channels, no Pharmaceutical Business License is required.

Additional registrations may be relevant depending on the product range, for example, whether the stores sell food.

### 2.5.5 Dubai

Full corporate (non-pharmacist) ownership of pharmacies is permitted in Dubai. Pharmacies need to be registered as a ‘health facility’, a licence is required from the Dubai Health Authority and registration is generally available where standards are met. Each pharmacy must have an ‘in charge’ licensed pharmacist working on a full-time basis, however this pharmacist does not need to be an owner of the business.

# 3 Information about the Merged Group

# 3. Information about the Merged Group

## 3.1 Overview of the Merged Group

### 3.1.1 Introduction

Following Implementation, the Merged Group will be a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor. The Merged Group will also have international operations (as described in Section 3.3).

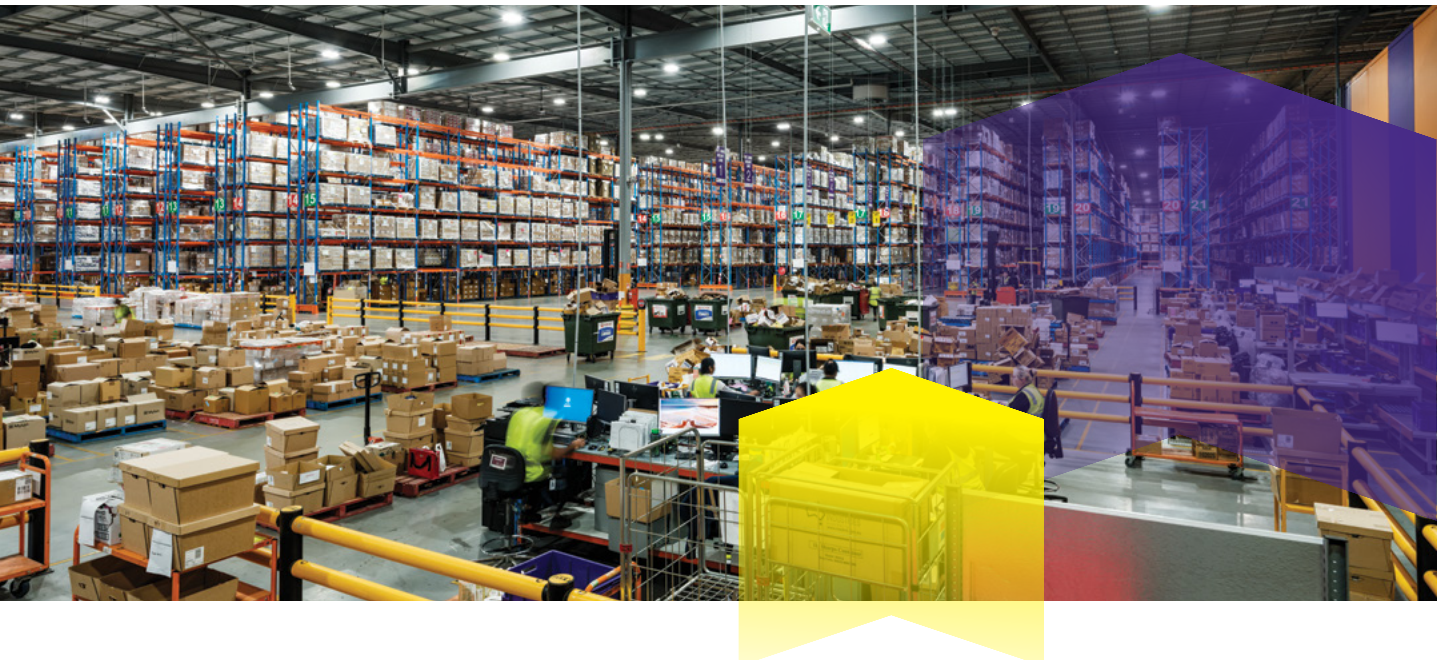
As a leading **retail pharmacy franchisor**, the Merged Group will provide intellectual property and support services to a combined network of 880 Australian Franchise Network stores operating under a suite of core franchise brands including Chemist Warehouse, My Chemist, Amcal and Discount Drug Stores.[72] The Merged Group will also partly own 50 retail pharmacies in New Zealand, 10 retail pharmacies in Ireland and 2 retail pharmacies in Dubai, and a further 10 retail stores will be operated in China through services agreements with local companies.[73] Australian Franchise Network stores, together with the retail pharmacies in New Zealand, Ireland and Dubai, the stores operated in China, and Other Retail Brands stores are collectively referred to as the Retail Network.[74]

As a **full-line wholesaler and distributor**, the Merged Group will supply and deliver **prescription products** (including PBS medicines), OTC and FOS products to over 3,500 pharmacy customers.[75] The Merged Group's wholesale customers will include the Retail Network as well as independent pharmacies in Australia. The Merged Group's Australian wholesale and distribution operations will be supported by a national distribution centre network.

The Merged Group will be formed only upon Implementation, and so has no history. The Merged Group represents the combined Sigma and Chemist Warehouse businesses following Implementation described further in Section 9.2. Accordingly, a brief history of each of Sigma and Chemist Warehouse is provided below.

### 3.1.2 Evolution of Sigma

Sigma has been supporting the health of Australians for more than 110 years. During its first 50 years, Sigma manufactured and sold its products to a range of wholesalers and pharmacists including its member pharmacists. In 1996 Sigma acquired its first pharmacy brand (being the Guardian Pharmacy group), followed shortly after in 1998 with the acquisition of the Amcal Pharmacy group, to build a position as a leading Australian pharmacy franchisor. While continuing to develop this franchising business, Sigma's primary business throughout this period was (and remains) a leading full-line wholesale and distribution business to Australian pharmacies.



72. All references to store numbers throughout this 'Information about the Merged Group' section are as at 30 June 2024. The Australian Franchise Network includes 851 core franchise brand pharmacies, and 29 Pipeline Stores (as defined in section 3.2.3). The Australian Franchise Network does not include PharmaSave pharmacies. As at 30 June 2024, there were no Guardian stores and 37 PharmaSave stores. Since September 2022, Sigma has no longer offered the PharmaSave brand to new members (refer to Section 3.2.6 for further information). The Merged Group does not own or operate any pharmacies in Australia.
73. The Retail Network includes stores in the Australian Franchise Network, Other Retail Brand stores, partly owned retail pharmacies in New Zealand, Ireland and Dubai (which is not reflected in the store numbers as at 30 June 2024 as they opened after this date), and Chemist Warehouse stores operated in China through services agreements with local companies.
74. Other Retail Brands include Ultra Beauty and Optometrist Warehouse. Refer to section 3.2.4 for further information.
75. As at 30 June 2024. Includes pharmacies within the Australian Franchise Network, as well as third party pharmacy customers.

| | |
|---|---|
| 1912 | Sigma is founded by two Melbourne pharmacists, Edwin Church and Edwin Leete, with the objective of Sigma manufacturing its own proprietary lines under a common label for its member pharmacists. |
| 1913 | Sigma decides to sell its products to wholesalers and pharmacists who are not member pharmacies of Sigma. |
| 1956 | Sigma announces it has become the second largest wholesale distributor to Australian pharmacists. |
| 1974 | Sigma moves its operations from the Melbourne CBD to its previous Clayton premises. |
| 1980 | Sigma's sales exceed $100 million.<br>Sigma acquires South Australian based Fawns and McAllan, a pharmaceutical manufacturer and distributor. |
| 1988 | Sigma introduces automated systems into its Clayton distribution centre. |
| 1996 | Sigma acquires QDL Pharmaceuticals, a Queensland based pharmaceutical wholesaler. |
| 1997 | Sigma acquires Guardian, a pharmacy franchisor. |
| 1998 | Sigma acquires Amcal pharmacy group, a pharmacy franchisor. |
| 1999 | Sigma is listed on the ASX. |
| 2003 | Sigma acquires Herron Pharmaceuticals, a manufacturer of pharmaceuticals and therapeutic goods, including the Chemists' Own brand. |
| 2005 | Sigma merges with Arrow Pharmaceuticals, primarily a manufacturer of generic pharmaceuticals, via a reverse takeover of Arrow Pharmaceuticals. |
| 2007 | Sigma acquires Orphan Holdings Pty Ltd, a specialist pharmaceuticals business. |
| 2011 | Sigma divests its Pharmaceutical Manufacturing Division to Aspen Pharmacare Holdings, including the Herron and Chemists' Own brands, re-focusing the Sigma Group on wholesaling and distribution. |
| 2014 | Sigma acquires Queensland-based Discount Drug Stores (DDS), a pharmacy franchisor, and Central Healthcare Services (CHS), a healthcare product wholesaler and distributor and owner of the PharmaSave retail brand. |
| 2017 | Sigma changes its company name and ASX code from Sigma Pharmaceuticals Limited (ASX:SIP) to Sigma Healthcare Limited (ASX:SIG). |
| 2019 | Sigma is re-appointed for the contract to supply the Chemist Warehouse Australian Franchise Network with FOS products.[76] |
| 2022 | Vikesh Ramsunder commences as Chief Executive Officer of Sigma. |
| 2023 | Sigma divests the hospital distribution business and other small non-core assets of its subsidiary CHS, simplifying its business.<br>Sigma signs 5-year agreement for the supply of prescription, OTC and FOS products with Chemist Warehouse. |
| 2023 | Sigma announces proposed merger with Chemist Warehouse. |

76. The Chemist Warehouse supply contract for both prescription, OTC and FMCG products had been lost in 2018.

### 3.1.3 Evolution of Chemist Warehouse

The success of Chemist Warehouse is based on a heritage that has been built by its founders over a 52 year period. Brothers Jack and Sam Gance bought their first pharmacy in Reservoir, Melbourne in 1972. Mario Verrocchi joined the business in 1980. Jack, Sam and Mario, along with a number of like-minded entrepreneurial pharmacists, began to coordinate buying activities for their mutual benefit. In 1997, the first My Chemist branded pharmacy was opened, and coordinated marketing activities began (including publishing the first catalogue). By this stage, there were over 30 aligned pharmacies in the group and My Chemist was adopted as the brand.

As the number of pharmacies grew, the central service function supporting those pharmacies continued to grow in its scale and commerciality, developing particular strengths in marketing, support services for its pharmacies, and negotiating terms with third party suppliers. This is the business that became Chemist Warehouse as it is today.

The pharmacy that would in time become the first Chemist Warehouse branded store was opened in 2000. As new pharmacies were welcomed into the network, the arrangements between the service business and the pharmacies were formalised under a franchise model (from 2016 onward), and additional pharmacists were invited to become shareholders in the holding company for the service business. Chemist Warehouse's key milestones since the year 2000 are outlined below.

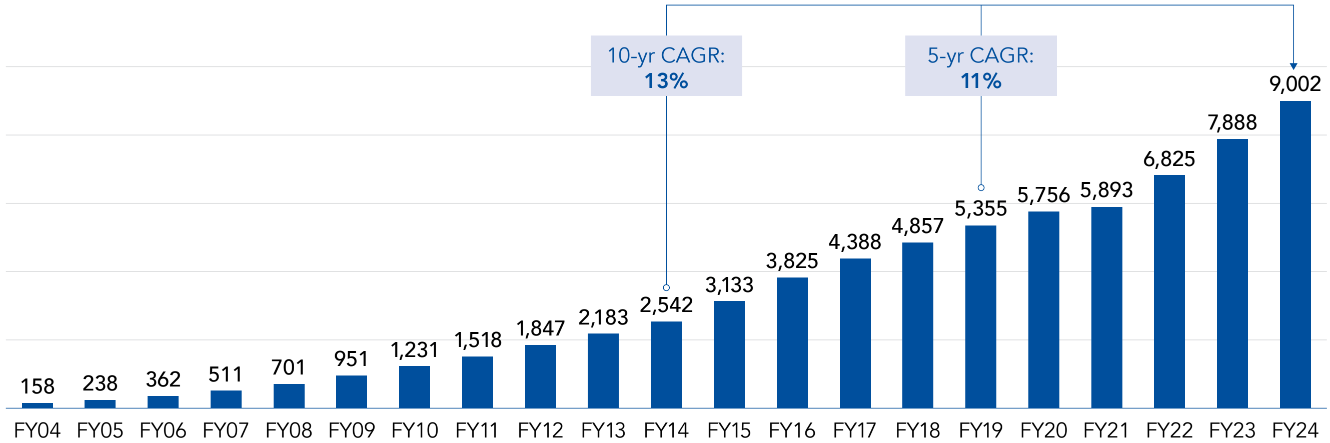
| | |
|---|---|
| 2000 | The first Chemist Warehouse pharmacy, initially branded as Chemistop, opens in Footscray, Victoria (followed shortly by a second store in Dandenong), launching a new brand and retail concept for pharmacy involving a large store format, broad FOS consumer goods and healthcare offerings, and a greater focus on discounted pricing. |
| 2003 | Chemist Warehouse brand first introduced. |
| 2005 | Chemist Warehouse acquires 'ePharmacy.com.au', rapidly growing Chemist Warehouse's online presence. |
| 2008 | The 100th Chemist Warehouse branded pharmacy opens. |
| 2013 | Chemist Warehouse launches 'House of Wellness', a leading Australian health and wellbeing media brand encompassing a broad ecosystem across print (magazines/newspaper lift-outs), TV, radio, digital and social media. |
| 2015 | Chemist Warehouse commences international expansion in China by partnering with T-MALL Global, Alibaba's dedicated cross-border e-commerce site.<br>Chemist Warehouse opens a dedicated online fulfilment centre, and expands the logistics and distribution centre network. |
| 2017 | The first Chemist Warehouse branded pharmacy opens in New Zealand (partly owned by Chemist Warehouse). |
| 2018 | Chemist Warehouse launches the 'Ultra Beauty' brand and store concept aimed at capturing consumer demand for luxury beauty products, and with a premium retail environment that aligns with the luxury products/brands it ranges. |
| 2019 | The first physical store opens in China to complement Chemist Warehouse's online platform in China (operated in China through service agreements with local companies). |
| 2019 – 2020 | Chemist Warehouse expands its omnichannel offering providing numerous points of presence while supporting Chemist Warehouse's physical footprint, including "Click & Collect" and "Fast Delivery" services. |
| 2020 | The first Chemist Warehouse branded pharmacy opens in Ireland (partly owned by Chemist Warehouse). |
| 2023 | Chemist Warehouse launches the 'Optometrist Warehouse' brand and store concept (partly owned by Chemist Warehouse).<br>The 600th Chemist Warehouse Retail Network store opens.[77] |
| 2024 | The 50th Chemist Warehouse Retail Network store in New Zealand opens.<br>The first Chemist Warehouse branded pharmacy opens in Dubai (party owned by Chemist Warehouse). |

77. The Chemist Warehouse Retail Network includes franchised retail pharmacies in Australia, Other Retail Brand stores, partly owned stores in New Zealand, Ireland and Dubai, and Chemist Warehouse stores operated in China through services agreements with local companies. Chemist Warehouse does not own or operate any pharmacies in Australia.

The evolution of Chemist Warehouse to become a leading retail pharmacy franchisor has been a story of consistent and steady growth, with a record of year-on-year growth in Chemist Warehouse Retail Network Sales and Chemist Warehouse Retail Network stores in each of the last 20 years (see Figures 5 and 6).[78]

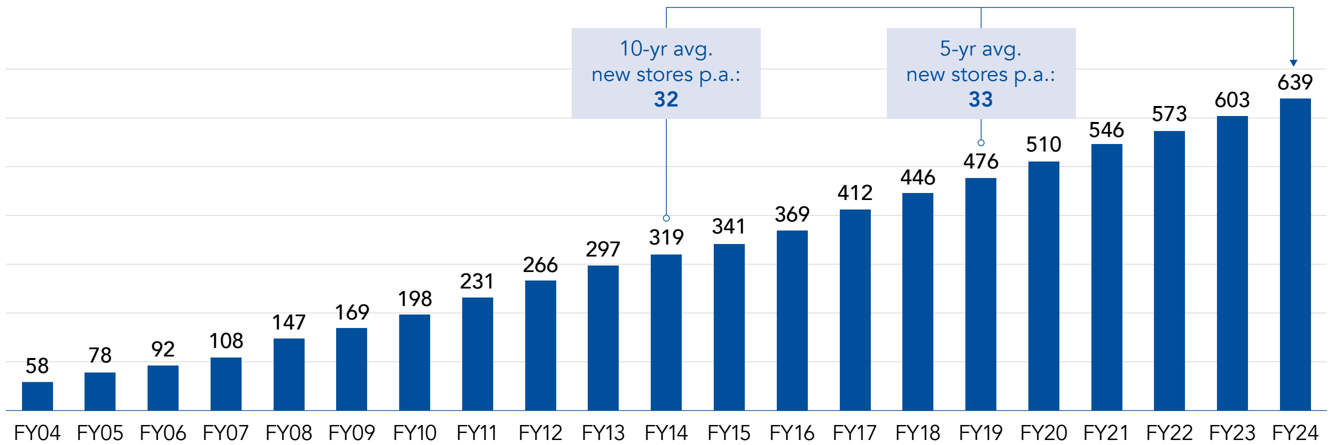
In the period from 30 June 2004 to 30 June 2024, the number of Chemist Warehouse Retail Network stores has increased by approximately 11x, while Chemist Warehouse Retail Network Sales have increased by approximately 57x, demonstrating strong growth not only from the rollout of new Chemist Warehouse Retail Network stores but also from strong like-for-like sales growth.[79]

**Figure 5: Chemist Warehouse Retail Network Sales evolution ($m)[80,81]**




Chemist Warehouse Retail Network Sales refers to the aggregate sales of all Chemist Warehouse Retail Network stores over a relevant period (including in-store and online sales), as well as online sales fulfilled directly by Chemist Warehouse. Chemist Warehouse Retail Network Sales are not revenues of Chemist Warehouse.[82] However, the relevance of this metric is that inventory sold by Chemist Warehouse Retail Network stores is often purchased from Chemist Warehouse (as part of Chemist Warehouse's wholesale supply arrangements).

**Figure 6: Chemist Warehouse Retail Network evolution (no. of stores)[83,84]**




78. Chemist Warehouse Retail Network Sales includes a combination of in-store and online sales across the Chemist Warehouse Retail Network, as well as online sales fulfilled directly by Chemist Warehouse.
79. Like-for-like sales growth represents the percentage change in Chemist Warehouse Retail Network Sales generated by a group of Chemist Warehouse Retail Network stores in a relevant period, compared to Chemist Warehouse Retail Network Sales from the same set of Chemist Warehouse Retail Network stores in the prior corresponding period. A network store is included in this measure once it has been open in all months throughout both the current period and the prior corresponding period.
80. FY04 to FY24, financial year ended 30 June..
81. Management information (unaudited).
82. The financial results of Australian and New Zealand Chemist Warehouse Retail Network stores are not consolidated in Chemist Warehouse's revenues (as stores in Australia are franchised, and the financial contribution of New Zealand Retail Network stores are accounted for under the equity accounting method).
83. FY04 to FY24, financial year ended 30 June.
84. Based on Chemist Warehouse management information (unaudited). Chemist Warehouse Retail Network Sales includes a combination of in-store and online sales across the Chemist Warehouse Retail Network, as well as online sales fulfilled directly by Chemist Warehouse. Chemist Warehouse Retail Network Sales is not revenue of Chemist Warehouse. However, the relevance of this metric is that inventory sold by Chemist Warehouse Retail Network stores is often purchased from Chemist Warehouse (as part of Chemist Warehouse's wholesale supply arrangements).

The scale of the Chemist Warehouse Retail Network is further demonstrated by the number of consumer transactions undertaken (both in-store and online), which was around 145 million during FY24.

Leading intellectual property and retailing know-how and expertise has been a key driver of Chemist Warehouse's success and its ability to constantly innovate across the customer experience, marketing and advertising strategy, retail execution and business model. This intellectual property, developed over 50 years of experience in pharmacy retailing, reflects substantial careful investment at every layer of the business including retailing systems, supply chain, marketing intellectual property and owned, private label and exclusive brands and products.

## 3.2 The Merged Group's operations in Australia

### 3.2.1 Overview

Following Implementation, the Merged Group will be a leading Australian retail pharmacy franchisor that will provide intellectual property and support services to the Australian Franchise Network and will be a full-line wholesaler and distributor of prescription products (including PBS medicines), OTC and FOS products to over 3,500 pharmacy customers.

### 3.2.2 Principal business activities

As a leading retail pharmacy franchisor and a full-line wholesaler and distributor, the principal activities of the Merged Group will consist of:

- provision of branding and support services to the Australian Franchise Network (**Retail pharmacy franchisor services**);
- full-line wholesaler and distributor of prescription products (including PBS medicines), OTC and FOS products to pharmacy customers, as well as third-party logistics services to pharmaceutical manufacturers and other supplier partners (**Wholesale and distribution**);
- advertising and marketing activities (**Advertising and marketing services**);
- sales of consumer goods through online channels (**Online**);
- sales and distribution of owned, private label and exclusive consumer brands (**Owned, private label and exclusive brands and products**);
- ownership of several other businesses which complement the capabilities and key competitive proposition of the Merged Group (**Other businesses**); and
- strategic equity positions in several suppliers (**Partnerships and investments**).

### 3.2.3 Retail pharmacy brands

The Merged Group's retail pharmacy franchise business will have four core franchise brands across a range of segments. These core franchise brands will be 'Chemist Warehouse', 'My Chemist', 'Amcal' and 'Discount Drug Stores'.[85]

As at 30 June 2024, there was a total of 880 Australian Franchise Network stores. An overview of each of the Merged Group's core brands, their market positioning and select store statistics are outlined below:

| | | | Key Statistics |
|---|---|---|---|
| Big box discount pharmacy | Chemist Warehouse | Significant Australian pharmacy brand with franchise pharmacies known for offering a wide range of FOS products, and everyday low prices on all product lines[86] | • 517 stores in Australia[87]<br>• 522 sqm avg. store size[88] |
| Full-service pharmacy | Amcal+ | An Australian pharmacy brand with a focus on expert advice and service | • 209 stores in Australia[87]<br>• 217 sqm avg. store size[89] |
| | my CHEMIST | Full-service pharmacy brand providing high quality products and health services, as well as expert advice | • 21 stores in Australia[87]<br>• 278 sqm avg. store size[88] |
| Discount pharmacy | Discount Drug Stores | Discount pharmacy brand offering low prices and special offers, as well as a wide range of health services | • 104 stores in Australia[87]<br>• 222 sqm avg. store size[89] |


85. Core franchise brands exclude PharmaSave. In September 2022, Sigma began a retail brand consolidation process to simplify its retail strategy by seeking to convert Guardian and PharmaSave stores to Amcal and Discount Drug Stores. Sigma closed the Guardian Brand with effect from 31 January 2024. Since September 2022, Sigma has no longer offered the PharmaSave brand to new members. As at 30 June 2024, there were 37 PharmaSave pharmacies. Sigma continues to provide support to PharmaSave franchisees in accordance with existing agreements.
86. Everyday low prices provided on prescription medicines to the extent permitted by law. The PBS co-payment payable by customers is regulated with limited permitted discounting (see further information in Section 2.5).
87. As at 30 June 2024.
88. As at 31 October 2024.
89. Pharmacy Guild, Digest 2020-2021, p 18. Available at: https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021

### 'Chemist Warehouse'

Chemist Warehouse branded Australian Franchise Network stores are licensed to use the 'Chemist Warehouse' brand including the 'red house' trademark. Following more than 24 years of investment, and with a presence across all Australian States (and online), the Chemist Warehouse brand has become a strong and widely recognised brand in Australia.

As part of their franchise arrangements, Chemist Warehouse Franchisees are provided with a suite of franchise support, marketing and operational support services (see further information in Section 3.2.5.2.1).

The Chemist Warehouse brand is an iconic brand in Australia. Chemist Warehouse branded stores are known for having a large warehouse-style store format, a distinctive yellow storefront with the red 'Chemist Warehouse' logo, and offering a wide range of products at low prices.

The layout of Chemist Warehouse branded stores is different to the majority of other pharmacies in Australia. Chemist Warehouse branded stores tend to be large, with an average retail footprint of approximately 522 sqm[90] (the size of non-Chemist Warehouse pharmacies is approximately 252 sqm on average).[91]

Inside a Chemist Warehouse branded store, customers will find high gondolas and metal shelving, with in-store television and radio advertising and infomercials.

There is a planogram process available to all Chemist Warehouse Franchisees to assist with product layout and customer retail experience.

The retail FOS offering of Chemist Warehouse branded stores is differentiated from most other retail pharmacy brands in several ways. Chemist Warehouse branded stores display a breadth and depth of stock not commonly available in other pharmacies. Chemist Warehouse branded stores are strongly focused on FOS goods and compete on value and discount prices. In FY24, on average Chemist Warehouse's franchisees derived 60% of their store sales from FOS sales, which Chemist Warehouse considers is substantially above those for non-Chemist Warehouse pharmacies.[92]

Chemist Warehouse branded stores adopt a discount model under which they focus on offering their customers a broad range of products at low prices through an everyday low pricing model. Chemist Warehouse branded stores offer their customers a price guarantee: *"if you find a cheaper price on the same item at another Australian retail store, we will match it and give you 10% off the difference!"*.[93] Chemist Warehouse's low price value proposition to customers encompasses competitive pricing on prescription products (to the extent permitted for PBS medicines; the PBS co-payment payable by customers is regulated with limited permitted discounting. See further information in Section 2.5), as well as discount pricing on FOS and OTC products. Many Chemist Warehouse branded stores have extended opening hours, and most are open seven days a week.

Chemist Warehouse branded stores continue to be at the forefront of pharmacy in Australia through a variety of initiatives to establish them as a 'community health and wellness hub'. These include the provision of immunisation services (such as flu vaccinations), diagnostics services, absence from work certificates and other aligned health services. Chemist Warehouse also partners with Instant Consult, which provides patients with access to health consultations with Australian qualified doctors via video call.[94]

### Chemist Warehouse store format and product strategy

- ✔ Competitive pricing on all products, including prescription products
- ✔ Discount pricing strategy on FOS products, with everyday low prices
- ✔ Unique retail/customer experience, and retail excellence
- ✔ High footfall store locations

90. As at 31 October 2024.
91. Pharmacy Guild, Digest 2020-2021, p 18. Available at: https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021.
92. Management information (unaudited). Represents total FOS sales as a proportion of total network sales across Chemist Warehouse branded stores in Australia in FY24.
93. Chemist Warehouse, Why Shop with Us. Available at: https://www.chemistwarehouse.com.au/aboutus/why-shop-with-us; Chemist Warehouse, FAQs. Available at: https://www.chemistwarehouse.com.au/aboutus/faq.
94. Instant Consult is a platform for instant connection to an Australian qualified online doctor 24x7, facilitating affordable and effective telehealth consultations.

## ‘Amcal’

Amcal branded Australian Franchise Network stores are licensed to use the ‘Amcal’ brand. With more than 85 years of heritage, Amcal is a widely recognised Australian pharmacy brand, with a presence across all Australian States (and online).

As part of their franchise arrangements, Amcal franchisees are provided with a suite of core services (see further information in Section 3.2.5.2.2).

The Amcal brand is marketed as providing trusted healthcare advice to patients with a focus on supplying leading pharmaceutical products. Amcal branded stores largely derive sales from PBS and OTC products (collectively 82% of Amcal network sales in FY24).[95] Taking a holistic approach to healthcare, the Amcal brand’s core focus is on expert advice and service.

Amcal branded stores are typically small to medium in size, with the average total store size being approximately 217 sqm.[96]

Amcal branded stores offer a comprehensive set of pharmacy and health services, including medication management, preventative health advice, health screening, risk assessments, annual health checks, hearing checks, home health support, heart checks, pain management, vaccinations, chronic disease support, smoking cessation services, skincare services, sleep health services, urinary tract infection advice and treatment and weight management services.

Amcal offers a rewards program named ‘Amcal Rewards’, through which Amcal Rewards members can earn points with each dollar spent on eligible purchases to be redeemed at participating Amcal pharmacies, and receive exclusive offers and rewards. Amcal Rewards has over 147,000 active members.[97]

## Amcal store format and product strategy


- ✔ Wide brand reputation drawing on its long heritage
- ✔ ‘Community’ pharmacy model centred on expert advice and service
- ✔ Broad product range including leading pharmacy and health and wellness brands
- ✔ Traditional pharmacy retail format


95. Management information (unaudited). For the twelve months ended 30 June 2024.
96. Pharmacy Guild, Digest 2020-2021, p 18. Available at: https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021.
97. Active members represents number of loyalty members that have made a purchase in the last 12 weeks to 30 June 2024.

# 3. Information about the Merged Group continued

## 'My Chemist'

My Chemist branded Australian Franchise Network stores are licensed to use the 'My Chemist' brand. My Chemist branded stores are full service, health centric and product focused pharmacies.

As part of their franchise arrangements, My Chemist franchisees are provided with a suite of franchise support, marketing and operational support services (see further information in Section 3.2.5.2.1).

My Chemist branded stores are typically medium sized, with an average total store size of approximately 278 sqm.[98]

My Chemist offers a loyalty program named the 'My Chemist Card Program', through which its My Chemist Card Program members can collect and redeem reward points through purchases made at My Chemist pharmacies.[99]

## My Chemist store format and product strategy

- ✔ Adopts a 'community' pharmacy model and full service approach, whilst maintaining a low price offering
- ✔ Strong focus on health and beauty products
- ✔ Traditional pharmacy retail format

## 'Discount Drug Stores'

DDS branded Australian Franchise Network stores are licensed to use the 'Discount Drug Stores' brand. DDS branded stores provide customers with a discount pharmacy experience competing primarily on a price basis and adopting a low-margin discount model. DDS branded stores are primarily located in Queensland, New South Wales and Western Australia.

As part of their franchise arrangements, DDS franchisees are provided with a suite of core services (see further information in Section 3.2.5.2.2).

DDS branded stores are typically small to medium in size, with the average total store size being approximately 222 sqm.

DDS offers a reward program named 'DiscountPlus', through which DiscountPlus members can earn and redeem points for eligible purchases made at participating DDS pharmacies. DiscountPlus has over 64,000 active members.[100]

## Discount Drug Stores store format and product strategy

- ✔ Provides a discount format whilst maintaining a quality service offering
- ✔ Focus on competitive pricing, employing broad based discounting and special offers
- ✔ Offers a wide range of health and wellness services
- ✔ Traditional pharmacy retail format

98. As at 31 October 2024.
99. As at 30 June 2024.
100. Active members represents number of loyalty members that have made a purchase in the last 12 weeks to 30 June 2024.

In addition to the branded retail franchise pharmacies, the Merged Group will also provide retail pharmacy services to a small number of unbranded pharmacies (**Pipeline Stores**). Pipeline Stores are stores that have been acquired by a pharmacist with the intention of becoming a Chemist Warehouse or My Chemist franchisee in due course. Pipeline Stores will receive services from the Merged Group under a service arrangement until such a time as they enter into a franchise or licence agreement with Chemist Warehouse, which could occur when, in accordance with applicable laws and regulations, the pharmacy has expanded or has relocated to a suitable location and rebranded as a Chemist Warehouse or My Chemist pharmacy.

### 3.2.4 Other Retail Brands

The Merged Group will also support stores under Other Retail Brands including Ultra Beauty and Optometrist Warehouse, which offer offering high quality beauty and healthcare products and services at affordable prices. There is an opportunity to roll these Other Retail Brands out as co-located stores, or in standalone locations, as well as online.

#### 'Ultra Beauty'

Ultra Beauty was launched by Chemist Warehouse in 2018, and has quickly become a destination for premium beauty, bringing customers well-known international fragrance and beauty brands. The format is proving successful and has expanded its footprint to 16 stores in Australia (as well as 4 stores in New Zealand), and Chemist Warehouse management believes that there is potential for significant further store rollout.[101]

Stores are co-located with Chemist Warehouse branded stores, benefitting from existing footfall while providing shoppers with a broader range of speciality beauty products in a premium yet accessible retail environment.

#### Ultra Beauty store format and product strategy


- ✔ Specialised retailer of luxury and premium beauty and cosmetics products
- ✔ Co-located within some Chemist Warehouse branded stores, taking advantage of existing footfall
- ✔ Competitively priced premium and luxury products with regular discount promotions


101. As at 30 June 2024.

### 'Optometrist Warehouse'

In partnership with optometry veterans Peter Larsen and Charles Hornor, Chemist Warehouse launched Optometrist Warehouse in 2023 with the aim of disrupting the $4.6 billion optical market in Australia.[102]

Optometrist Warehouse provides bulk-billed eye care services and discounted prices on glasses and contact lenses.

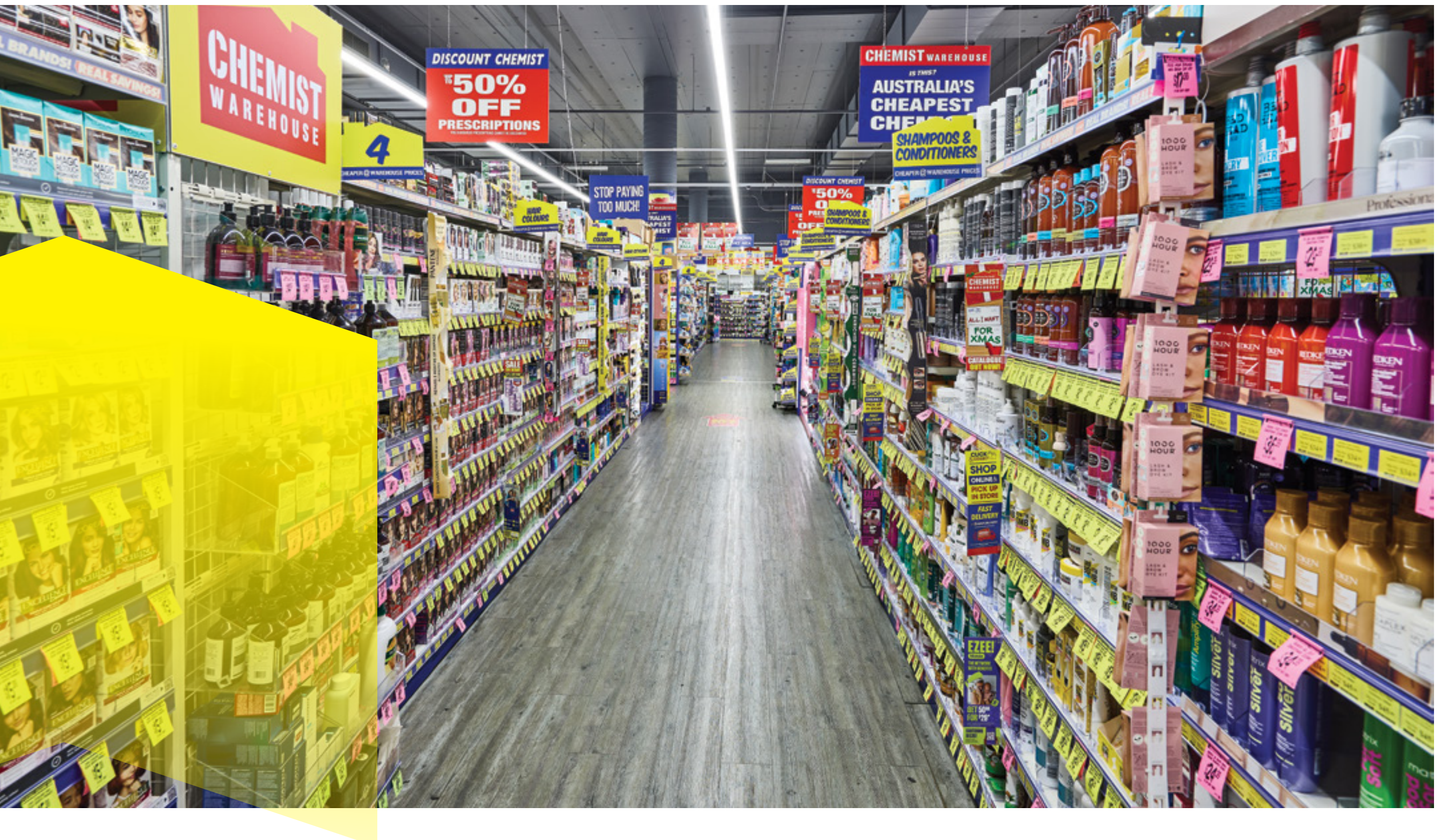
All stores employ optometrists and utilise a suite of advanced clinical technology to support customer outcomes.

Optometrist Warehouse is focused on broad-based patient health as well as eye wellness, working hand-in-hand with Chemist Warehouse Franchisee pharmacists.

Eyewear brands stocked include Victoria Beckham, DSquared2, Levi's, Tommy Hilfiger, Polaroid, Marc Jacobs, Karl Lagerfeld and Rag & Bone, along with Optometrist Warehouse's exclusive house brands, London Times and San Paolo.

### Optometrist Warehouse store format and product strategy

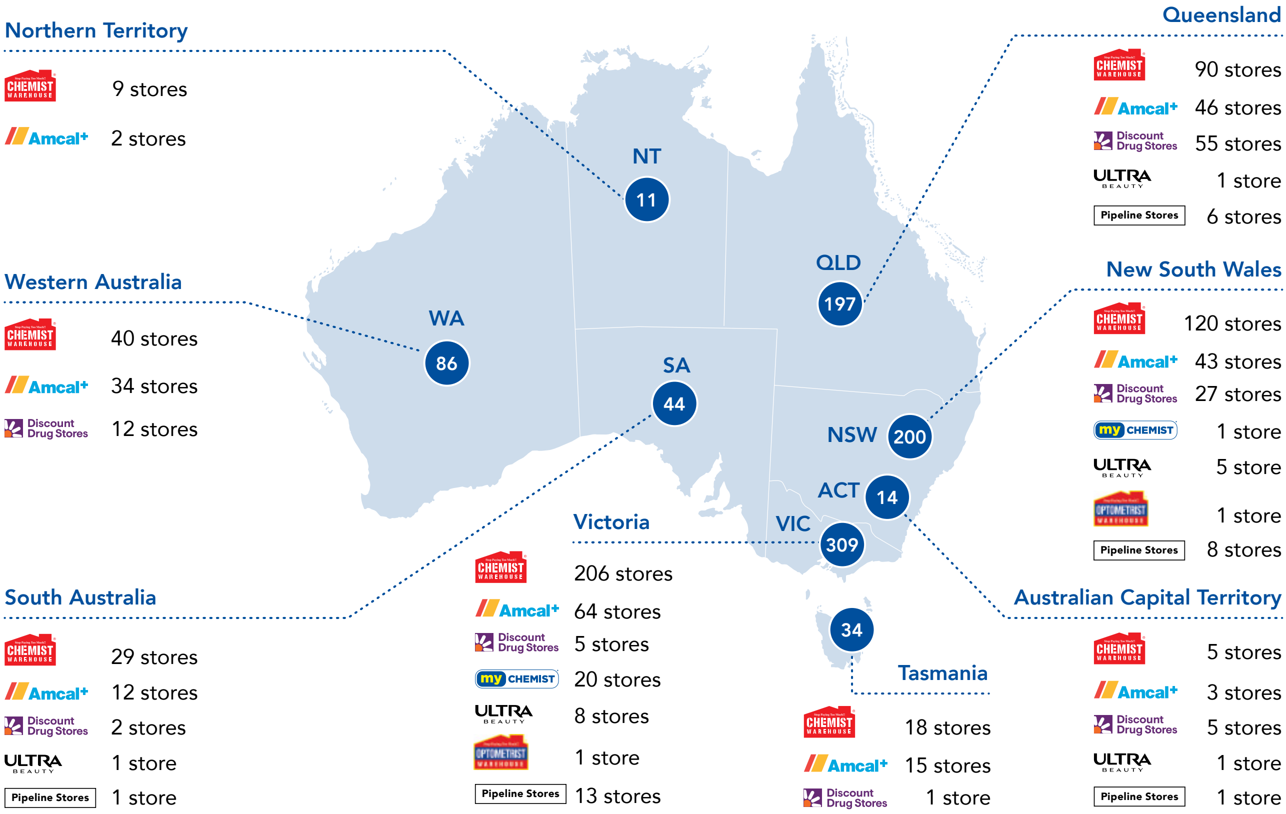
- ✔ Offers discounted prices on glasses and contact lenses and bulk-billed eye care
- ✔ Full suite of eye care services
- ✔ Stocks large and well-known range of glasses and contact lenses
- ✔ Standalone, or co-located with existing Chemist Warehouse branded stores




102. IBISWorld; Optometry and Optical Dispensing in Australia (September 2024). Based on industry revenue for 2024-25.

An overview of the Australian Retail Network is set out below:[103]

**Figure 7: The Australian Retail Network (as at 30 June 2024)[104]**




## 3.2.5 Retail pharmacy franchisor services

### 3.2.5.1 Overview

Developing and maintaining strong working relationships with franchisees has been a fundamental pillar of Chemist Warehouse's and Sigma's respective businesses, and is supported by franchise models that promote common interest and alignment between franchisees and franchisor.

There are several guiding principles that have underpinned the relationship between Chemist Warehouse and its franchisees and Sigma and its franchisees.

These guiding principles are:

- maximising the viability, sustainability and growth of the franchise network;
- preserving the health and stability of the franchisor and the services they provide to the franchise network;
- maintaining and growing the reputation of the pharmacy brands; and
- upholding the pharmacists' professional and ethical standards and obligations.

These guiding principles have contributed to the long-term success of the franchisor and franchisees, and will continue and are expected to underpin the relationship between the Merged Group and its franchisees.

Consistent with existing practice of Sigma and Chemist Warehouse, the Merged Group will support its franchise operations and franchisees, and stakeholders will be encouraged to share professional learnings, promoting the continuous improvement that has supported the success of the franchise operations. These learnings and improvements will support the Merged Group's retail pharmacy brands to remain at the forefront of customer service and evolving trends.

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103. The Australian Retail Network as at 30 June 2024 includes 880 Australian Franchise Network stores, 2 Optometrist Warehouse stores, and 16 Ultra Beauty stores. As at 30 June 2024, all Ultra Beauty stores were co-located with existing Chemist Warehouse branded pharmacies. Co-located stores are not included incrementally in the total number of Australian Retail Network stores.

104. Excludes PharmaSave. As at 30 June 2024, there were 37 PharmaSave stores. Since September 2022, Sigma has no longer offered the PharmaSave brand to new members. Sigma is in the process of encouraging PharmaSave stores to re-brand those stores to Amcal or DDS branded franchise stores. This initiative will continue post Implementation (to the extent not completed pre Implementation). Sigma will continue to provide support to the remaining PharmaSave franchisees in accordance with existing agreements.

### 3.2.5.2 Key services provided to franchisees

As a retail pharmacy franchisor in Australia, the Merged Group will provide a range of support services to the pharmacies in the Australian Franchise Network. The support services that will be provided by the Merged Group and the nature of fees charged for those services differ between the Merged Group's retail pharmacy franchise brands.

Until Implementation, there are legal limitations imposed by Australian competition laws on the degree to which Sigma and Chemist Warehouse may make joint decisions regarding the franchise services which the Merged Group will provide to its franchisees. Accordingly, Sections 3.2.5.2.1 and 3.2.5.2.2 outline the franchise models that the Merged Group will inherit upon Implementation.

Post Implementation, the Merged Group Board and senior management will consider strategic plans for the future of the franchise network in relation to such arrangements.

#### 3.2.5.2.1 Chemist Warehouse and My Chemist franchise pharmacies

The Merged Group will inherit Chemist Warehouse's pre-existing franchise model for pharmacies operating under the Chemist Warehouse and My Chemist brands (**Chemist Warehouse Franchise Model**). Under the Chemist Warehouse Franchise Model, franchisees have the right to use the relevant brand, benefit from brand marketing activities and gain access to a comprehensive range of goods, services and intellectual property. New franchise agreements typically run for a minimum period of 5 years, and typically include an option to renew for a period consistent with the initial term.

The key attributes of the Chemist Warehouse Franchise Model and benefits for franchisees are listed below:

| | |
|---|---|
| Product range and value proposition | Franchisees have access to a wide range of health, wellness and beauty products (including several exclusively ranged brands at discounted prices) to offer to their customers. |
| Marketing expertise | Franchisees benefit from the substantial advertising and marketing investment that the franchisor makes to promote the brand and its franchise network. |
| Strong retail focus | With a significant marketing focus on FOS, access to a broad range of FOS products at competitive cost pricing, as well as franchisor assistance in creating a unique retail experience, franchisees are able to develop robust retail businesses. |
| Seamless omnichannel offering | The successful Chemist Warehouse online stores deliver a seamless omnichannel experience to consumers, supporting in-store trading, including via Click & Collect and Fast Delivery purchases which are fulfilled by franchisees. |
| Suite of support services | An extensive suite of support services is made available to franchisees (see below for the support services). |
| Exceptional people and culture | A "Better Together" philosophy is instilled in all dealings with suppliers and pharmacists, which in Chemist Warehouse's experience, delivers better outcomes for all. |

The core range of services provided under the Chemist Warehouse Franchise Model is outlined below.

*Wholesale supply of goods to Chemist Warehouse and My Chemist franchise pharmacies*

The Merged Group will continue to directly supply a broad range of prescription products (including PBS medicines), OTC and FOS products to Chemist Warehouse and My Chemist franchise pharmacies, including products from its exclusive and private label ranges.

*Support services provided to Chemist Warehouse and My Chemist franchise pharmacies*

The Merged Group will provide a comprehensive range of support services to Chemist Warehouse and My Chemist franchise pharmacies in Australia, including:

- providing retail training to franchisees and their staff, with a focus on operations, product knowledge, customer service and sales conversion;
- access to IT systems tailored to the franchisee's needs, promoting efficiency and productivity across in-store operations;
- store planograms and assistance with design and layout;
- 'desktop' human resource services eg pro forma documents and checklists, payroll set-up;[105]

105. Chemist Warehouse is not involved in staff selection, staff management, rostering or salary setting.

- marketing and advertising services which are described further in Section 3.2.8;
- support for maintaining the store premises, including assisting with insurance, repairs, maintenance and managed security services/CCTV; and
- property services, where the Merged Group acts as the interposed sublessor between a commercial lessor and the franchisee (the lease terms, including rental, able to be secured via this service tend to be favourable compared to the terms which would be offered to the franchisee).

The Merged Group will also (as Chemist Warehouse has historically done), negotiate terms for the supply of PBS and OTC medicines, and FOS products direct from external suppliers. Chemist Warehouse has a dedicated buying team that negotiate prices and terms with manufacturers and product sponsors, which will be made available exclusively to Chemist Warehouse and My Chemist Australian Franchise Network stores.

All franchise services listed above are available to Chemist Warehouse and My Chemist franchisees in all jurisdictions in Australia.

*Fees charged for wholesale supply and support services*

While there are some differences amongst jurisdictions for local compliance requirements, typically Chemist Warehouse will charge its franchisees:

- a margin on goods it supplies; and
- fees for the provision of a range of services and use of intellectual property.

Wholesale loyalty rebate arrangements apply where loyalty thresholds are met based on agreed parameters.

Where the Merged Group acts as interposed sublessor, rent is paid by the franchisee and recovered on a pass-through basis (equal to the head lease rent).

### 3.2.5.2.2 Amcal and DDS franchise pharmacies

The Merged Group will operate the pre-existing franchise model for pharmacies under the Amcal and DDS brands (**Sigma Franchise Model**). New franchise agreements typically run for a minimum period of 5 years.

Under the Sigma Franchise Model, franchisees receive a non-exclusive licence to use the relevant brand and access to a range of core services which are covered by a fixed annual franchise fee paid to the Merged Group. These core services vary slightly by brand, but typically include

- team training support;
- access to private and exclusive label products;
- new store onboarding, including store design and fit out guidance;
- pharmacy design support;
- assistance with health services design, including programs for dispensary management and flu shots;
- pricing and promotion support, such as buying and pricing guides as well as promotional packages and campaigns; and
- marketing support, including brand awareness campaigns, social media content support and partnerships support.

Additional optional services may be provided at the franchisee's request (these may be at an additional cost to the franchisee).

Franchisees may elect to enter into wholesale supply agreements with Sigma which may provide discounts, but are not obliged to do so. Franchisees may also be eligible for certain rebates and incentives, including wholesale supply incentives based on the proportion of total wholesale sales acquired from Sigma, brand compliance and operational best practice.

### 3.2.6 Franchise network growth

The Chemist Warehouse Franchise Model has demonstrated sustained, long-term success in attracting new franchisees due to its brand proposition across a range of retail pharmacy market segments and the assistance Chemist Warehouse provides to its franchisees.

In September 2022, Sigma commenced a retail brand consolidation process in order to simplify its retail strategy to focus on Amcal and DDS and seek to convert Guardian and PharmaSave stores to Amcal and DDS. Sigma closed the Guardian brand with effect from 31 January 2024. As at 30 June 2024, there were 37 PharmaSave stores.[106] Since the commencement of the consolidation process, the Sigma Franchise Network (including the legacy PharmaSave and Guardian brands which are not included in Sigma's Franchise Network stores) has reduced from 516 (as at 30 June 2022) to 350 (as at 30 June 2024) with the reduction of 89 of those stores being attributable to the consolidation.[107] Sigma also exited its joint venture with WholeLife Pharmacy and sold its 51% stake in that joint venture back to WholeLife Pharmacy in 2023.

Simplifying the retail strategy has enabled Sigma to provide more support to both existing and new Amcal and DDS members through improved services and focus along with a stronger value proposition for customers.

In collaboration with either existing or potential new franchisees, and in accordance with the relevant laws and regulations that govern the location of pharmacies in Australia (see further information in Section 2.5), the Merged Group will continue to aid franchisees in identifying potential locations that would be suitable to open a new store.

Franchisees and the Merged Group will have regard to a broad range of factors when assessing potential locations for new stores, including the opportunity for a new PBS-licensed pharmacy or the availability of an existing PBS-licensed pharmacy for acquisition, the suitability of the potential premises to support the retail footprint and fit-out of the relevant franchise pharmacy brand, area demographics and proximity to existing Australian Franchise Network stores and other retail pharmacies.

As the process of identifying suitable new locations is specific to the potential franchisee who will operate any potential new store, the Merged Group will not maintain a specific target list of potential new locations.

#### 3.2.6.1 Chemist Warehouse and My Chemist franchise pharmacies

The process of identifying new franchisees for Chemist Warehouse and My Chemist branded stores is well established, based on an approach of identifying registered pharmacy managers from within existing Chemist Warehouse and My Chemist branded stores.

Franchise candidates are predominantly drawn from the wide pool of registered pharmacists with long-term employment in a Chemist Warehouse or My Chemist branded store and who have had extensive training and education in the customer service, retail excellence, and operations that are part of the Chemist Warehouse and My Chemist franchise system.

Recommendations on new franchisee candidates are generally received from existing franchisees, putting potential candidates forward for consideration after they have expressed a desire to own and operate a Chemist Warehouse or My Chemist franchise.

As part of the process of becoming a Chemist Warehouse or My Chemist franchisee, candidate pharmacists typically acquire an existing pharmacy after obtaining the necessary approvals from relevant state and federal pharmacy regulators (see further information in Section 2.5). If the acquired pharmacy does not meet the location and size requirements to become a Chemist Warehouse or My Chemist branded store, then it may initially be a Pipeline Store and receive services under a service arrangement, with a suite of services similar to that available to Chemist Warehouse and My Chemist franchisees (with the exception of access to relevant brand-related intellectual property). Subject to pharmacy location regulation, once a suitable new site has been identified, the pharmacist will seek approval from the relevant pharmacy regulator to re-locate and re-brand as a Chemist Warehouse or My Chemist branded store. Historically, Pipeline Stores have routinely proceeded to be re-branded to either a Chemist Warehouse or My Chemist branded store.

106. Sigma will continue to provide support to PharmaSave members in accordance with existing agreements. The impact of providing continued support to PharmaSave members in accordance with existing agreements until the transition is complete will be financially immaterial to the Merged Group.

107. As at 30 June 2024, there were 313 Sigma Franchise Network stores excluding PharmaSave, comprising of 209 Amcal and 104 DDS stores. There are 350 stores when including PharmaSave (37 stores as at 30 June 2024) and Guardian (no stores as at 30 June 2024).

New franchisees will receive significant support from the Merged Group in opening a new Chemist Warehouse or My Chemist branded store, including:

- end-to-end support for new store openings, including assisting with location selection, store design, regulatory approvals, fit-out, leasing, insurance and managed security services/CCTV;
- property services, including where the Merged Group may act as interposed sublessor between a commercial lessor and the franchisee (as described above in Section 3.2.5.2.1);
- fit-out financing services whereby franchisees acquire store fit-out and may either pay for the fit-out from their own resources or enter into a fit-out lease with the Merged Group (under which the Merged Group funds the initial fit-out costs and recovers this cost over time through the fit-out lease with the franchisee);
- business loans for franchisees. Franchisees obtain business finance from a range of sources (eg the pharmacist's preferred bank, personal funds) for new or expanding franchise pharmacies. However, consistent with current practice by Chemist Warehouse, the Merged Group provides seed capital loans to franchisees for new or expanding franchise pharmacies on request. The loan terms are standard business lending terms (with some clauses which are more favourable to the borrower) and the interest rate is a standard business lending rate;[108] and
- support, training and mentoring relevant to owning and operating a Chemist Warehouse or My Chemist franchise pharmacy.

Over the last five years, the Chemist Warehouse Australian Franchise Network has grown by 97 stores, averaging approximately 19 new stores per year.[109] Chemist Warehouse employs a team of 28 property advisory professionals, alongside a dedicated onboarding team, who have historically been capable of assisting franchisees in onboarding approximately 2-3 new stores per month.

#### 3.2.6.2 Amcal and DDS franchise pharmacies

The process of identifying new franchisees for Amcal and DDS is through enquiries from individuals and does not require referrals from existing franchisees.

New Amcal and DDS franchisees are provided with a number of benefits including:

- support for new store openings, including assistance with store design and fit-out; and
- support and training relevant to owning and operating an Amcal or DDS franchise pharmacy.

### 3.2.7 Wholesale and distribution activities

#### 3.2.7.1 Overview

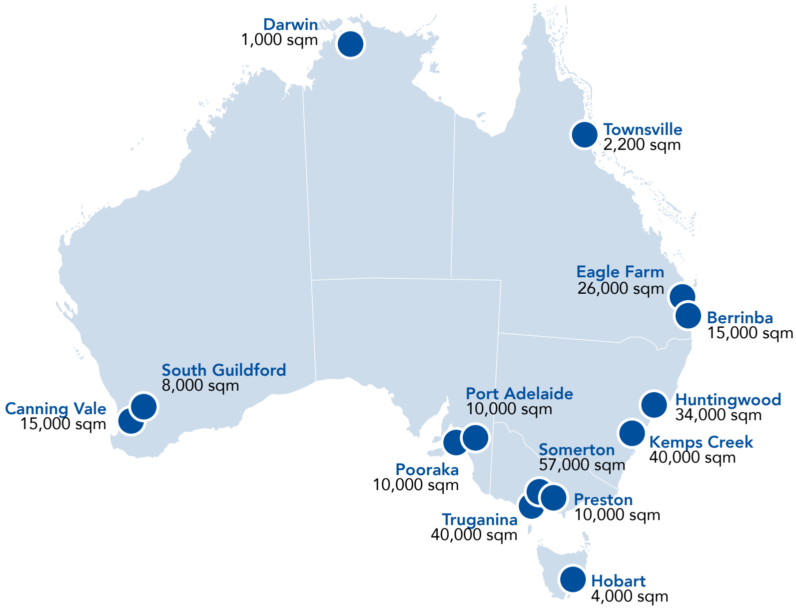
The Merged Group will be a national full-line CSO wholesaler with its distribution network servicing pharmacies Australia wide. It will supply a wide range of products, such as prescription products (including PBS medicines), OTC and FOS products.

The Merged Group will acquire products from pharmaceutical and other suppliers and distribute them to pharmacies across Australia, including Australian Franchise Network stores and independent pharmacies.

The Merged Group's wholesale and distribution activities will be supported by 14 distribution centres located across Australia with 272,200 sqm of aggregate capacity. Three distribution centre sites will be owned by the Merged Group, while the remaining will be leased.[110] In Australia, Sigma's existing distribution centres will be used to service all pharmacies (including independent pharmacies and Australian Franchise Network stores), while Chemist Warehouse's existing distribution centres will exclusively service Chemist Warehouse Australian Franchise Network stores.[111] Following Implementation, the Merged Group will conduct a detailed review of its distribution centres to assess the size and future requirements, having regard to the Australian Franchise Network and the Merged Group's independent customer base.

108. Historically, EYFS has provided these business loans to franchisees. Chemist Warehouse is in the process of re-financing these business loans from EYFS into loans from Chemist Warehouse. It is expected that all such EYFS loans will be fully re-financed by the end of FY25. In addition, historically EYFS has provided short term 'bridging' loans to franchisees to acquire existing pharmacies on a time-sensitive basis. Whilst it is intended going forward that those loans be provided by third parties, from time to time, EYFS may provide 'bridging' loans to franchisees.
109. From 1 July 2019 to 30 June 2024.
110. Sigma's Canning Vale, Townsville and Truganina distribution centres are owned.
111. As at 30 June 2024 there were 567 Chemist Warehouse Australian Franchise Network stores, comprising of 517 Chemist Warehouse branded stores, 21 My Chemist branded stores and 29 Pipeline Stores.

**Figure 8: The Merged Group's Australian distribution centre network[112]**




A number of sites in the Merged Group's distribution centre network benefitted from Sigma's recent $400 million capital investment program which was completed in 2023.[113] The capital investment program focused on acquiring new distribution centre land and buildings, as well as deploying automation technology and upgrading IT systems. These investments will improve operational capacity and efficiency for the Merged Group, and serve to reduce the requirement for significant capital investment in the foreseeable future. The Sigma Directors and the Proposed Directors believe that that the Merged Group's existing distribution network will be capable of supporting continued like-for-like growth in current Australian Franchise Network stores and continued growth in new Australian Franchise Network stores in the medium term, as well as continued wholesale sales to independent pharmacy customers.

Among the eight distribution centres contributed by Sigma (representing 127,200 sqm), the Merged Group expects to have approximately 35% available wholesale capacity (after allowing for the annualised impact of the Sigma Supply Agreement). Available capacity across all the Merged Group's distribution centres will support the Merged Group's future growth ambitions for the supply of products to independent pharmacies and Australian Franchise Network stores and will provide an opportunity for cost synergies to be realised across the Merged Group's supply chain, consistent with the Merged Group's continuing CSO obligation.

As set out in Section 3.6.2, the Merged Group expects to deliver cost synergies through the optimisation of its supply chain and distribution centres, improved freight and route optimisation, as well as savings from consolidation of spend with third party service providers.

### 3.2.7.2 Wholesale and distribution services

The Merged Group's wholesale and distribution activities will include:

#### 3.2.7.2.1 Wholesale sales to Australian Franchise Network stores

The Merged Group will sell prescription, OTC and FOS products by wholesale to Australian Franchise Network Stores operating under its core franchise brands (Chemist Warehouse, My Chemist, Amcal and DDS).

112. The Merged Group's distribution network does not include the Eastern Creek distribution centre (8,000 sqm) which Sigma is sub-leasing.
113. The $400 million capital investment program was undertaken by Sigma and related exclusively to sites owned or operated by Sigma. The capital investment program did not extend to sites owned or operated by Chemist Warehouse Group.

### 3.2.7.2.2 Wholesale sales to independent pharmacies

The Merged Group will also sell prescription, OTC and FOS products by wholesale to independent pharmacies which, together with Australian Franchise Network stores, will include over 3,500 pharmacies across Australia.

Following Implementation, Sigma will continue to operate as a wholesaler accredited under the CSO arrangements. Sigma has also committed as part of its Merger Undertaking to the ACCC to continue to participate in the CSO for at least 5 years from Implementation. As a CSO distributor, Sigma will continue to be required to supply PBS medicines and National Diabetes Services Scheme products to any retail pharmacy in Australia in accordance with strict service standards and compliance requirements under its CSO obligations (see further information in Section 2.1).

### 3.2.7.2.3 Third party logistics services

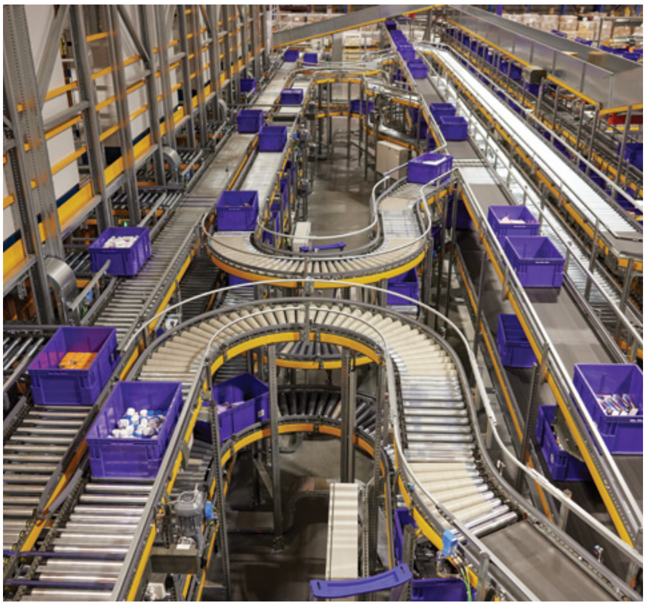
In addition to its wholesale activities, the Merged Group will also utilise its distribution infrastructure to provide third party logistics services to customers. The Merged Group's third-party logistics business generates income by providing warehousing, order fulfillment and transportation services to manufacturers of goods.

The Merged Group will utilise Sigma's national footprint of temperature-controlled facilities with bulk storage to handle a wide range of products. Through Sigma's supply chain capabilities and expertise, the Merged Group will be well positioned to effectively and efficiently provide third-party services to customers from various sectors including pharmaceutical, medical consumables and fast-moving consumer goods.

### 3.2.7.3 Logistics infrastructure

Sigma has automated much of its logistics process to accommodate current and future demands on its supply chain. Sigma distribution centres operate an automated picking and buffering solution, where orders are picked, buffered and sequenced to delivery vehicles. These automated processes work to optimise the entire logistics process.

**Figure 9: The Merged Group's automated distribution infrastructure**



The Merged Group will transport goods from distribution centres directly to stores Australia wide through tendered freight contracts. The Merged Group will continue to identify route optimisation opportunities to drive timeliness of delivery as well as freight cost savings.

Through its national network and distribution infrastructure, the Merged Group will have the ability to effectively meet customer needs. The Merged Group will also benefit from Sigma's specialised wholesale and distribution capabilities and its track record of servicing pharmacies across Australia. For the last twelve months ended 30 June 2024, Sigma distributed over 230 million units to pharmacies across Australia with above 99% Delivery in Full and Despatch on Time.[114]

114. Sigma Healthcare Limited – 1H25 Results Announcement (page 13).

### 3.2.8 Advertising and marketing activities

The Merged Group will undertake a broad array of marketing and advertising activities, partnering with brand owners and suppliers to promote their products which will be offered through the Australian Franchise Network and online.[115]

The Merged Group will have a range of owned media platforms, as well as established relationships enabling premium access to many external broadcast advertising mediums. The significant investment that Chemist Warehouse has made historically in these activities has positioned the Chemist Warehouse brand as one of the most visible and recognised brands in Australia, and makes the Merged Group a trusted partner for brand owners and suppliers to advertise with.

The Merged Group's extensive advertising and marketing activities will serve two distinct groups of users:

- **Franchisees:** Advertising and marketing services provided to Australian Franchise Network stores under their franchise agreements, including in-store promotions, catalogues, loyalty programs and online promotions which drive customer recognition and footfall; and
- **Suppliers:** The Merged Group will also sell opportunities to product suppliers and distributors to have products featured in the Merged Group's advertising content. Suppliers benefit from these marketing initiatives as the Merged Group provides affordable access and a broad engaged audience for its advertising partners.

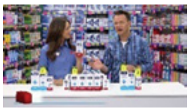
The investment in the multi-medium advertising and marketing strategy will be designed to drive increased brand awareness (in both the Australian Franchise Network, and co-branded campaigns with suppliers), improve traffic across the Australian Franchise Network, and enhance sales growth for franchisees and product suppliers, in turn driving wholesale sales growth for the Merged Group itself.

The Merged Group will generate marketing and advertising revenues by charging suppliers' fees for advertising their products via catalogues, TV and radio advertisements, other digital and print media and sponsorship deals. The Merged Group will incur costs in delivering its advertising and marketing activities, including production expenses, distribution expenses, placement charges as well as general operating expenses relating to its advertising and marketing teams.

**Overview of the Merged Group's advertising and marketing channels**

| Platform | Overview |
| --- | --- |
| Catalogues   | • Periodic catalogues branded and featuring available product and promotions across the Chemist Warehouse (67 million distributed p.a.), My Chemist (3 million p.a.), Amcal (9 million p.a.) and DDS (11 million p.a.) brands.[116] |
| In-store and online advertising    | • A portfolio of advertising channels across in-store, digital and social media.<br>• In-store advertising includes Chemist Warehouse's in-store TV's, outdoor TV screens, proximity marketing units, window decals, security gate covers, counter mats, and other in-store opportunities which are a key tool in driving sales and increased basket size. |
| House of Wellness     | • An Australian health and wellbeing media brand, with a broad ecosystem across print (magazines/newspaper lift-outs), TV, radio, digital and social media.<br>• Includes The House of Wellness show, a weekly TV program which reached 174,000 Australians on average each week in FY24.[117]<br>• Chemist Warehouse distributed 51 million House of Wellness magazines in FY24.[118] |

115. Sales of suppliers' products across the Merged Group's online channels will initially be through the Chemist Warehouse and My Chemist branded online stores.
116. Management information. Distributed in the twelve months to 30 June 2024.
117. OzTAM: 1 July 2023 – 30 June 2024. Friday 14:00 – 15:00, and Sunday 12:00 – 13:00; average of all episodes. Total People. Metro Markets (Sydney, Melbourne, Brisbane, Adelaide, Perth) and Regional Markets (Queensland Aggregate, Northern NSW Aggregate, Southern NSW Aggregate, Victoria Aggregate). Consolidated 7 data. Broadcast TV data only.
118. Management information. Distributed in the twelve months to 30 June 2024.

| Platform | Overview |
|---|---|
| TV advertising, newspaper, radio and out-of-home<br> | • Strategically placed ads on commercial television and in-store, capturing significant reach and offering suppliers an attractive channel to purchase advertising space with engaged customers.<br>• 'What's on in the Warehouse' commercials, run daily and with three different campaigns per week, reached 1.4 million Australians per week in FY24.[119]<br>• The Merged Group also intends to run an array of national marketing campaigns across prominent newspapers, major national radio programs, and in out-of-home channels including billboards and transit advertising.<br>• CW Remix is Chemist Warehouse's own DAB+ digital radio station, which is played live in all Chemist Warehouse branded stores. This station allows advertisers to reach pharmacy customers at the point of purchase. |
| Activations/ambassadors<br> | • Partners with relevant suppliers for activations at product festivals and expositions, as well as with several well-known sports stars and health and nutrition specialists as brand ambassadors. |
| Sponsorships<br>   | • Major sponsor of many of Australia's premier sporting codes including the AFL and AFLW, NRL, NBL, netball and the Australian Open.[120] |
| Loyalty programs<br>     | • Consumer-facing loyalty programs under the My Chemist, Amcal and DDS brands. |

### 3.2.9 Online

The Merged Group will have established online channels in Australia through which it or its franchisees operate several online stores.[121] This is (and is expected to continue to be) a strategically important channel that maintains brand awareness and engagement across each of the Merged Group's franchise brands and will aim to provide a seamless omnichannel experience enabling pharmacy customers of the Merged Group's franchisees to access a range of products at attractive prices online or in-store at their convenience.

The Merged Group's online stores in Australia will be accessed via the following websites: www.chemistwarehouse.com.au; www.mychemist.com.au; www.epharmacy.com.au; www.amcal.com.au; www.discountdrugstores.com.au; www.optometristwarehouse.com.au; and www.chemistwarehouse.com.au/ultra-beauty.

The Merged Group's online stores will operate differently across the various websites. In particular, the sales from online stores for franchisees under the Amcal and DDS brands are exclusively the sales of the relevant franchisee which a customer chooses to purchase from.

Additionally, prescription and OTC products in Australia can only be supplied by pharmacies (or other licensed businesses such as hospitals) and prescription products can only be dispensed upon receiving a valid electronic or paper prescription (with limited exceptions). Supply of pharmacist only ('behind the counter') pharmaceuticals is subject to compliance with the requirements in the jurisdiction of supply (see further information in Section 2.5). While the Merged Group will not dispense prescription products from its online stores, for several of its online stores it will facilitate a service whereby customers can send a prescription to a dispensing franchise store of their choice by post or e-prescription. These prescriptions will be directed to and fulfilled by the relevant franchise store which can supply to the customer.

The Merged Group's online operations will benefit from investments made by Chemist Warehouse in recent years in developing the systems and infrastructure that support the online operations, which were aimed at enhancing efficiency and improving customer service levels. This included the establishment by Chemist Warehouse of a highly automated, 10,000 sqm online fulfilment centre in Preston (Victoria), and investment in improved tracking functionality.

119. OzTAM: 1 July 2023 – 30 June 2024. Monday – Sunday, 09:00 – 11:00; average of all placements. Total People. Metro Markets (Sydney, Melbourne, Brisbane, Adelaide, Perth) and Regional Markets (Queensland Aggregate, Northern NSW Aggregate, Southern NSW Aggregate, Victoria Aggregate). Consolidated 7 data. Broadcast TV data only.
120. NRL sponsorship includes the naming rights to 'Chemist Warehouse Sunday Football'.
121. The Merged Group also has an online channel in New Zealand and China; see further information in section 3.3.

### 3.2.9.1 Chemist Warehouse, My Chemist, ePharmacy and Ultra Beauty online channels

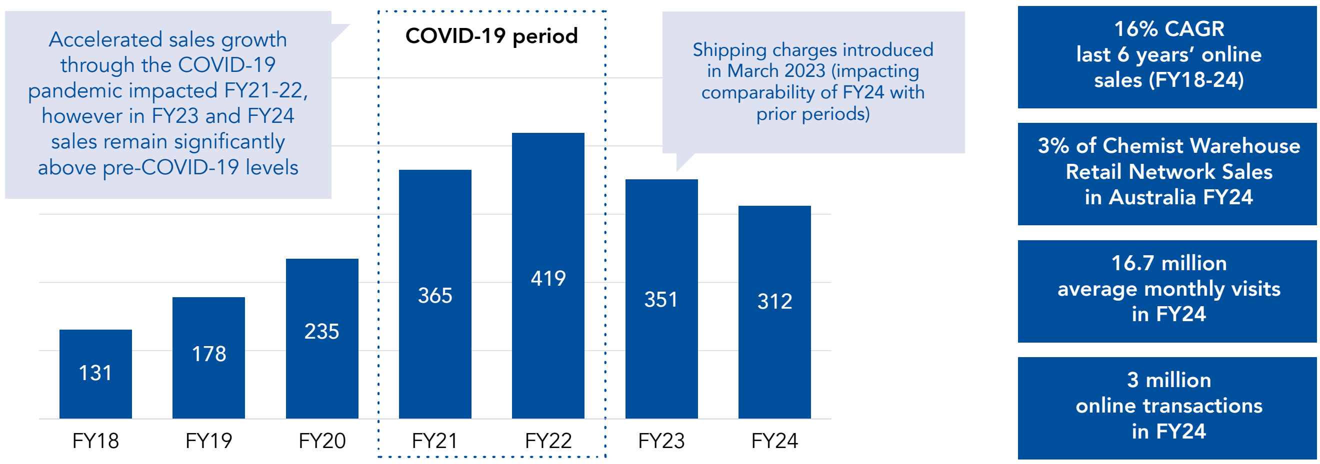
The Chemist Warehouse website in Australia – www.chemistwarehouse.com.au – offers a single 'digital front door' and complements in-store trading, by offering same day delivery, free Click & Collect and Fast Delivery with tracking functionality.

The way orders via the Chemist Warehouse online store are fulfilled varies based on the customer's delivery or collection preference and the nature of the goods ordered.

Any online sales involving prescription or OTC products, or where the consumer selects Click & Collect or Fast Delivery, are directed to and fulfilled by Chemist Warehouse Franchisees (in both cases, orders are fulfilled by and sales are attributed to the relevant franchise store). Where an online order relates only to FOS goods, the products will be generally delivered to the customer direct from one of the Merged Group's distribution centres (in which case the sale will be attributed to the Merged Group) or may be directed to a Chemist Warehouse Franchisee for fulfilment.

The My Chemist website – www.mychemist.com.au, ePharmacy website – www.epharmacy.com.au, and Ultra Beauty website – www.chemistwarehouse.com.au/ultra-beauty, are operated under the same channel arrangements as described above for the Chemist Warehouse online store. The way the order is fulfilled is consistent with a Chemist Warehouse online order.

**Figure 10: Chemist Warehouse Online Sales in Australia ($m)[122,123,124,125]**




### 3.2.9.2 Amcal and DDS online channels

The Amcal and DDS websites – www.amcal.com.au, www.discountdrugstores.com.au – enable customers to shop direct from participating Amcal or DDS pharmacies (with orders placed online sold and fulfilled directly by the selected pharmacy). Purchases are limited to products currently available at the customer's chosen pharmacy. Depending on the contents of the order and the pharmacy fulfilling the order, there are a range of delivery methods including express, same or next day as well as Click & Collect.

### 3.2.9.3 Optometrist Warehouse online channel

The Optometrist Warehouse website – www.optimetristwarehouse.com.au – offers customers an ability to shop and purchase contact lenses online. Customers can select from a wide range of contact lenses and are then prompted to enter their prescription details prior to completing the online order. The Optometrist Warehouse website also allows customers to make an online booking for an eye examination at a store selected based on the proximity to a location selected by the customer.

122. Includes online sales within the Chemist Warehouse, My Chemist and ePharmacy online channels. Any online sales in Australia involving scheduled medicines, or where the consumer selects Click & Collect or Fast Delivery, are directed to and fulfilled by franchisees. Where an online order relates only to consumer goods, the products are generally delivered to the customer direct from a Chemist Warehouse distribution centre, but may instead be directed to a franchisee for fulfilment if the distribution centre is unable to fulfil the order. Online sales figures shown above represent a combination of Chemist Warehouse revenue, and Chemist Warehouse Retail Network Sales.
123. FY18 to FY24, financial year ended 30 June.
124. Management information (unaudited).
125. Google Analytics in respect of monthly visits and online transactions.

### 3.2.10 Owned, private label and exclusive brands and products

The Merged Group's operations will also include supplying a broad range of fully or partly-owned brands, private label and exclusive brands and products to certain stores in the Retail Network in Australia, as well as selling certain products from those brands directly to consumers through certain of the Merged Group's online channels.[126] Some private label brands may be supplied to both the Retail Network in Australia and independent pharmacies (as well as to certain international network stores).[127]

The Merged Group's range of fully or partly owned, private label and exclusive brands and products provides franchisees, independent pharmacies and consumers with greater choice, and represents a higher margin product suite promoting increased profitability for both the Merged Group and its franchisees.

Expanding the range of owned, private label and exclusive brands and products across the Merged Group's various franchise brands represents a growth opportunity for the Merged Group.

#### 3.2.10.1 Fully / partly owned brands, private label/licensed brands

| | Select brands | Overview |
|---|---|---|
| Chemist Warehouse | WAGNER | Australian pharmacy brands with premium medicinal and vitamin products across a broad range of categories, as well as general health accessories. |
| Chemist Warehouse | INC. | Nutritionally balanced, high quality and affordable range of sports nutrition products. |
| Chemist Warehouse | MICRO genics | Australian vitamin brand with a premium range of high-quality vitamins and supplements. |
| Chemist Warehouse | Goat | Innovative range of goat milk skincare, personal care and hair care products. |
| Chemist Warehouse | BONDI PROTEIN CO | Range of healthy protein and supplement powders, including collagen powders and creamers, vegan and keto protein powders, and healthy confectionary. |
| Sigma | Amcal+ | Private label range of prescription, OTC and FOS products, available to Amcal franchisees. |
| Sigma | Guardian<br>pharmacycare | Private label range of prescription, OTC and FOS products, including skincare, pain relief medication, vitamins, beauty, and baby products.[128] It is currently planned that the Pharmacy Care brand will be replaced with the Guardian brand. |

Chemist Warehouse's suite of fully or partly owned, private label and licenced brands represented $364 million in network sales in Australia for FY24 (approximately 5% of Chemist Warehouse Retail Network Sales in Australia in FY24).[129,130]

#### 3.2.10.2 Exclusive brands and products

Exclusive brands and products are a range of products that will be exclusively available to the Retail Network in Australia. Exclusive rights typically vary by product and/or brand (as agreed between the Merged Group and the exclusive brand/product owner). Exclusivity typically covers retailing in Australia (and in some cases, also covers New Zealand).

Chemist Warehouse's suite of exclusive brands and products represented $457m in network sales in Australia for FY24 (approximately 6% of Chemist Warehouse Retail Network Sales in Australia in FY24).[131]

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126. The Merged Group has varying ownership levels across a number of brands, in addition to exclusive rights to import, manufacture and/or distribute certain brands and products. The Merged Group also has exclusive licensing and distribution rights over certain brands and products (such as Messi fragrances and skincare lines).
127. Such as PharmacyCare.
128. Available to Sigma franchise pharmacies and independent pharmacy customers.
129. Management information (unaudited).
130. Network sales across the Sigma Franchise Network, as well as network sales relating to Sigma's fully / partly owned brands and private label / licenced brands and Sigma's exclusive brands and products, are not included in the section above due to limitations in the availability of franchise store sales data historically.
131. Management information (unaudited). Network sales across the Sigma Franchise Network, as well as network sales relating to Sigma's fully/partly owned brands and private label/licenced brands and Sigma's exclusive brands and products, are not included in the section above due to limitations in the availability of franchise store sales data historically.

### 3.2.11 Other activities in Australia

#### 3.2.11.1 Other businesses

The Merged Group will partly or fully own a range of complementary businesses that will provide a range of value-added services for the Merged Group and third parties. These include but are not limited to:

| Business | Ownership | Description |
|---|---|---|
| Strat (We build brands up) | 100% | • Advertising agency, producing content and purchasing media on behalf of Chemist Warehouse and third-party customers including (but not limited to) The Good Guys, TGI Fridays, RSEA Safety, Shaver Shop, Pedders and St Kilda Football Club. |
| Game On! Product Group | 100% | • Manufacturer and distributer of health and beauty related products, with global licences with Liverpool FC, Tottenham Hotspur FC, Arsenal FC, Messi Fragrance, and NFL International, as well as regional licenses (across a combination of countries including the USA, Australia, New Zealand and several countries throughout Asia) with Disney, Marvel, Warner Brothers, Lucas Films, Mattel, the AFL and the All Blacks.[132] These products are ranged in a wide variety of leading retailers (in addition to Chemist Warehouse and My Chemist branded stores). |
| MPS Connect | 100% | • Provides integrated packing services and Dose Administration Aid solutions to pharmacies with compliant documentation and quality control for greater efficiency, quality and accuracy.<br>• Links doctors, to pharmacists, to individuals in the community and aged care homes, and their care staff and residents.<br>• TGA licensed packing facilities. |
| Instant Consult | 60%[133] | • An online telehealth platform connecting patients to an Australian qualified online doctor, facilitating affordable and effective telehealth consultations.<br>• The Merged Group will have both a strategic partnership and an equity partnership with Instant Consult. |
| market reach | 100% | • Offers a targeted sampling program to the pharmaceutical industry, distributing medical samples on behalf of brand and product partners to reach a large number of pre-qualified potential health professionals.<br>• Created to help pharmaceutical and healthcare companies distribute starter packs, education and samples to healthcare professionals Australia wide. |

#### 3.2.11.2 Partnerships and investments

The Merged Group will have equity investments in certain third-party product suppliers and service providers. These equity stakes promote alignment and will incentivise the Merged Group and the service or product supplier to invest in and grow these partnerships.

| Select product suppliers | Select service providers |
|---|---|
| OptiPharm, McPherson's, Cannatrek, Wanderlust, SklareXen, Liber, Nordia, WellnexLife, Novomins Nutrition, The Calmer Co. | valorem, Slyp, insiteAI |

132. Game On's licence with NFL International excludes the United States of America.
133. Remaining 40% shareholding owned by founders and other individual shareholders.

## 3.3 International Operations

### 3.3.1 New Zealand

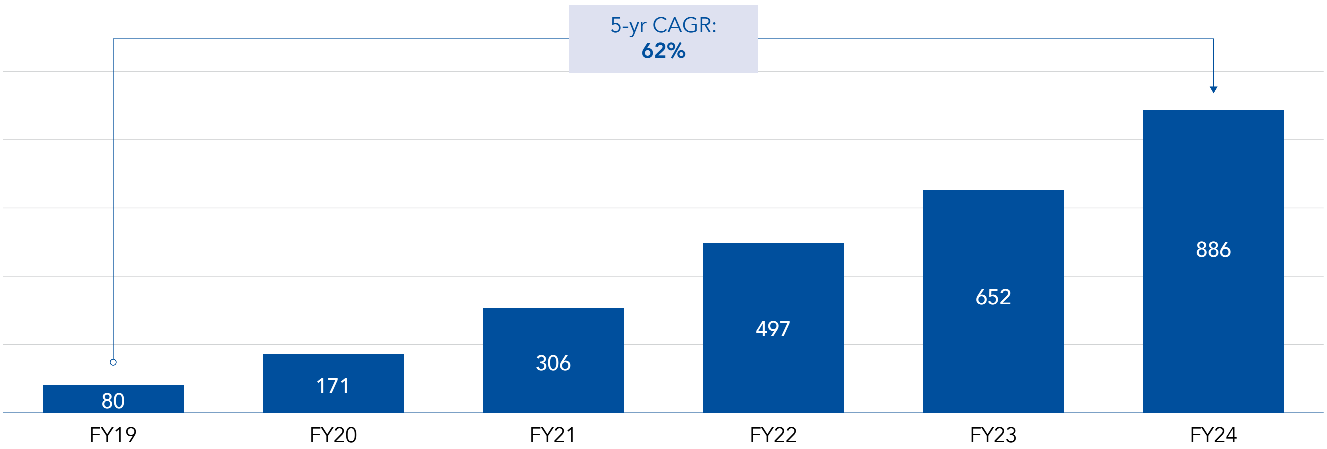
The Merged Group's business will include part-ownership of a leading pharmacy network in New Zealand, under the Chemist Warehouse brand. Each Chemist Warehouse branded pharmacy in New Zealand is operated by a separate entity that is partially owned by Chemist Warehouse, who holds the majority of economic shares and a minority of voting shares, and by Chemist Warehouse's local partner (who is a New Zealand registered pharmacist) and other New Zealand registered pharmacists (or vehicles which they control).

Chemist Warehouse commenced its entry into New Zealand in November 2017 and has achieved rapid growth as consumers embraced the Chemist Warehouse brand. The New Zealand market is well-established, and has a more flexible regulatory regime without strict location rules (in contrast to Australia) (see Section 2.5.2 for an overview of this regulatory regime).

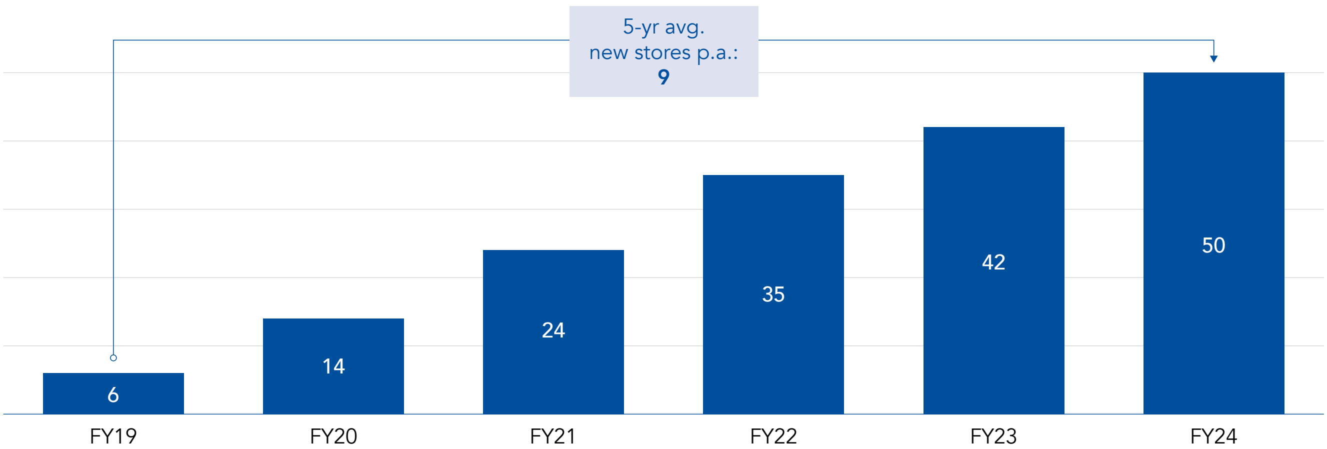
As at 30 June 2024, there were 50 Chemist Warehouse branded stores in New Zealand, generating Network Sales of $886 million in FY24.

Given the part ownership structure, the financial results of the New Zealand network stores are not consolidated into the Merged Group's revenues (rather they are accounted for under the equity accounting method).

**New Zealand Retail Network Sales evolution ($m)[134,135]**




**New Zealand Retail Network evolution (no. of stores)[136]**




134. FY19 to FY24, financial year ended 30 June.
135. Management information (unaudited).
136. FY19 to FY24, financial year ended 30 June.

In New Zealand, all stores operate under the Chemist Warehouse brand and the store design and layout are similar to Chemist Warehouse branded stores in Australia (refer Section 3.2.3).

There is an online channel operating in New Zealand via the website – www.chemistwarehouse.co.nz. The website has a similar look and feel to the Chemist Warehouse website in Australia and similarly offers a single 'digital front door'. It also complements in-store trading, by offering same day delivery, free Click & Collect and Fast Delivery with tracking functionality. Online sales in New Zealand are predominantly fulfilled by the Merged Group's 4,000 sqm New Zealand distribution centre, which has the capability and a dispensary enabling fulfillment of online orders including prescription, OTC and FOS goods.[137] Online sales in New Zealand continue to grow and reached $77 million in FY24, representing 9% of New Zealand Retail Network Sales in the period.

### 3.3.2 Ireland

The Merged Group's business will include part-ownership of a pharmacy network in Ireland. Each Chemist Warehouse branded pharmacy in Ireland is operated by a separate entity in which Chemist Warehouse holds a majority interest and the balance of the shares are held by Chemist Warehouse's local Irish partner.[138] The financial results for each of the Irish companies are consolidated in the Merged Group's financial accounts.

Operations commenced in Ireland in 2020 with the opening of a Chemist Warehouse branded store in Blanchardstown. Despite initial headwinds at the onset of COVID-19, steady store growth has been achieved with the Ireland store network comprising 10 stores as at 30 June 2024.

**Retail Network stores in Ireland**[139]


**Ireland Retail Network evolution (no. of stores)**[140]

| FY20 | FY21 | FY22 | FY23 | FY24 | Store growth FY20-FY24 | |
|---|---|---|---|---|---|---|
| | | | | | # | % |
| – | 2 | 4 | 6 | 10 | 10 | n/a |

With a strong public healthcare system and similar demographic characteristics to the Australian and New Zealand markets, Ireland is an appealing market opportunity for the Merged Group to expand the store network as part of the Merged Group's broader growth strategy. See Section 2.5.3 for an overview of Ireland's regulatory regime.

### 3.3.3 China

In China, there are a number of Chemist Warehouse branded retail stores and online e-commerce stores, which are operated by a series of local partners under the direction of Chemist Warehouse with the local partner entitled to retain a percentage of local revenue. These stores are retail shops selling consumer goods, and they do not sell prescription goods or anything else that requires a pharmaceutical operation licence in China.

#### 3.3.3.1 China online channels

The Merged Group's business will include operations on e-commerce platforms in China, which commenced in 2015 with the opening of a Chemist Warehouse branded online store on T-MALL Global, a Chinese online marketplace. The Chemist Warehouse T-MALL store has become a major international health and beauty online store. Chemist Warehouse's online and e-commerce presence in China has expanded to include three flagship digital stores on the T-MALL Global platform, and one flagship store each on the Kaola, Douyin, and Kuaishou platforms.

137. Pharmaceutical orders are dispensed and delivered by a Chemist Warehouse branded pharmacy located nearby the distribution centre.
138. Each pharmacy is operated by a separate operating company which is currently owned by Chemist Warehouse and the local Irish partner. Chemist Warehouse recently began, or will shortly begin, to offer minority equity interests in particular operating companies to one or more pharmacists who work at that particular pharmacy.
139. As at 30 June 2024.
140. FY19 to FY24, financial year ended 30 June.

The success of the online operations in China has resulted in recognition through several awards, including:

- T-MALL Global Operational Excellence Award (2019 – 2022);
- #1 seller for the month on the Kuaishou live streaming platform (September 2022 – December 2022);
- International E-Tailer of the Year by Retail Asia (2023 – 2024);[141,142]
- International Health & Beauty Retailer of the Year by APAC Insider Southeast Asia Business Awards (2023 – 2024);[143,144] and
- Finalist, eCommerce (including cross-border eCommerce) – Governor of Victoria Export Awards (2024).[145]

#### 3.3.3.2 China physical stores

The Merged Group's business will include a physical store network in China which comprised 10 Chemist Warehouse branded stores as at 30 June 2024. The first physical store in China opened in 2019.

**China Retail Network evolution (no. of stores)[146]**

| FY20 | FY21 | FY22 | FY23 | FY24 | Store growth FY20-FY24 | |
|---|---|---|---|---|---|---|
| | | | | | # | % |
| 1 | 4 | 5 | 6 | 10 | 9 | 900% |

The Merged Group's business will reflect 100% economic contribution of the China store network (with the financial results fully consolidated).

### 3.3.4 Dubai

The first Chemist Warehouse branded store in Deira, Dubai opened in October 2024. The second Chemist Warehouse branded store in Al Mankhool, Dubai opened in December 2024. Each pharmacy in Dubai is (or will be) operated by a Dubai-incorporated operating company, which is majority owned by Chemist Warehouse.

With a high standard of living and income per capita, and strong consumer demand for beauty and wellness products, Dubai is viewed by the Merged Group as providing an opportunity for future growth in the roll out of further Retail Network stores under the Chemist Warehouse brand.

## 3.4 People and organisational structure

The Merged Group will employ over 2,500 staff across functions including warehousing and logistics, marketing, operations, and corporate and administration.[147]

Refer to Section 6.1 and Section 6.2 for further background on the Merged Group's key executives and board.

## 3.5 Information technology and security

### 3.5.1 Overview of the Merged Group's information technology environment

The Merged Group will have a range of information technology systems to support the operation of its retail pharmacy franchisor services, pharmaceutical wholesale and distribution operations and administration support services, as well as in providing a suite of IT services to the Retail Network. Making stable, secure, scalable and modern services available to the Merged Group and the Retail Network will be core to the Merged Group's technology strategy.

Certain technology the Retail Network will employ includes systems that have been purpose configured and customised to support franchise pharmacies to provide a market leading retail experience, and benefit all relevant pharmacy stakeholders (including consumers, suppliers and employees). The bespoke and efficient technology suite that the Merged Group will offer to the Retail Network, will also serve to reduce friction for franchisees and enable them to focus on the operation and growth of their franchise pharmacies.

141. https://retailasia.com/videos/retail-asia-awards-2023-winner-chemist-warehouse#:~:text=Chemist%20Warehouse%20wins%20the%20International,model%20and%20supporting%20its%20expansion.
142. https://retailasia.com/co-written-partner/event-news/retail-asia-awards-2024-crowns-regions-top-retail-innovators
143. https://apacinsider.digital/winners/chemist-warehouse/
144. https://apacinsider.digital/winners/chemist-warehouse-2/
145. https://global.vic.gov.au/our-programs-and-services/our-programs/governor-of-victoria-export-awards
146. FY19 to FY24, financial year ended 30 June.
147. Not including staff employed in the Retail Network, who are not employees of the Merged Group.

The Merged Group will have a dedicated team of approximately 290 IT personnel with a complementary combination of IT experience and retail knowledge and predominantly based out of the Merged Group's offices in Melbourne.[148] This includes a highly experienced team of senior personnel who lead functional support teams across IT infrastructure, operations, cyber and risk, innovation and research, enterprise architecture, enterprise applications, data, software engineering and global services.

**Figure 11: Technology functions in the operations of the Merged Group**

| | Function | Description | Activities | Selected examples |
|---|---|---|---|---|
| Wholesale and dsitribution | Supply chain, logistics and wholesale operations | Technology infrastructure supporting the management of stock flows efficiently across transportation, storage and handling | • Whole of market wholesale operations<br>• Supplier management<br>• Customer account management<br>• Warehouse management<br>• Order fulfillment<br>• Freight scheduling<br>• Shipment tracking and documentation<br>• Inventory planning | 3.5.1.1 Sigma's automated storage and retrieval systems<br>3.5.1.2 Chemist Warehouse's Autostore systems |
| Retail pharmacy franchising | Retail store operations | Technology infrastructure maintained and offered to Chemist Warehouse and My Chemist franchisees in order to efficiently and effectively operate their franchise pharmacies | • Retail point of sales (POS)<br>• Promotion management<br>• Dispensing<br>• Human capital management and payroll | 3.5.1.3 Chemist Warehouse's POS system<br>3.5.1.4 Chemist Warehouse's dispensing system |
| Retail pharmacy franchising | Online operations | Technology infrastructure supporting online shopfront and retail trade | • Website infrastructure<br>• e-Commerce operations<br>• Chemist Warehouse mobile application | 3.5.1.5 Chemist Warehouse's online infrastructure |
| Corporate operations | Head office operations | Technology infrastructure supporting the Merged Group's corporate and head office functions | • Advertising and marketing<br>• Financial management and reporting<br>• Data analytics<br>• Human capital management and payroll<br>• Contract management<br>• Workflow management<br>• Cyber and information security<br>• Procurement<br>• Privacy<br>• Enterprise risk management | |

The Merged Group will benefit from significant recent investment made by both Chemist Warehouse and Sigma in technology enablement and system enhancements, including several examples outlined below. Further technology enablement and efficiency will remain core pillars in the Merged Group's plans to continue to support growth and scaling of the Retail Network and other operations.

148. As at 30 June 2024.

### 3.5.1.1 Sigma's automated storage and retrieval systems

Sigma's network features five highly automated distribution centres equipped with advanced technology, including robot pick arms, A-frames, automated carton erectors and Automated Storage and Retrieval Systems. These physical systems are integrated to Warehouse Control Systems as well as the Warehouse Management System, providing real time visibility and control and with 24x7 operating capability if needed.

### 3.5.1.2 Chemist Warehouse's Autostore systems

In 2024, Chemist Warehouse commissioned an advanced Goods-to-Person Automated Storage and Retrieval System at its distribution centre in Somerton.

This new system enables the Somerton site to run at a far accelerated line rate, and has extended the sites capability to accurately and efficiently service stores well beyond previous configurations.

### 3.5.1.3 Chemist Warehouse's POS system

Chemist Warehouse's POS system is a powerful tool that has been custom configured and refined to align with how Chemist Warehouse branded pharmacies operate and supports a broad range of functions including product ranging, inventory management, store presentation and planograms.

Speed and accuracy of transactions is another key element which the POS system supports, underpinned by an intuitive user experience that employees can navigate proficiently, as well as offering fast and reliable EFTPOS payment.

Chemist Warehouse continues to develop and enhance the POS system, including with new modules enabling Retail Network business improvement.

The POS system also offers a reporting suite that provides franchisees with analytics and reporting on store sales, cost of goods, gross profit, a suite of inventory management optimisation tools, security and shrinkage alerts and other key measures of performance and profitability. This reporting suite represents a valuable tool for franchisees, and enables them to make informed decisions to efficiently operate their pharmacies.

### 3.5.1.4 Chemist Warehouse's dispensing systems

Chemist Warehouse also provides dispensing and clinical support software solutions to Chemist Warehouse and My Chemist pharmacies in the Australian Franchise Network, which promotes accurate and efficient fulfillment of prescriptions while maintaining strict compliance with the relevant laws and regulations applicable to each franchise pharmacy. This dispensing software enabled Chemist Warehouse and My Chemist franchisees to dispense approximately 73 million prescriptions in FY24, and record millions of clinical interventions with patients each year.[149]

149. Management information. For the twelve months ended 30 June 2024.

### 3.5.1.5 Chemist Warehouse's online infrastructure



Chemist Warehouse's current digital & eCommerce ecosystem supports several of the largest online pharmacy websites in Australia.

With significant further growth expected in the online channel, work has recently been underway on a new ecommerce platform. This will aim to improve website performance, scalability, speed to market, and overall customer experience, driving potential new sales opportunities, and opening extra retail media and advertising inventory onsite (in turn supporting creative and dynamic delivery of sale events and promotions). This platform will enhance Chemist Warehouse's omni-channel offering, empowering consumers to shop wherever, whenever and however they chose.

### 3.5.2 Cyber and information security

Maintaining industry standards and security frameworks with the stringent and focused approach that Chemist Warehouse and Sigma have historically adopted regarding cyber and information security will be a focus of the Merged Group.

The Merged Group will utilise a variety of commercial and cyber controls, integrated to enable security events and data to be shared across multiple platforms and enriching the entire ecosystem for the purpose of effective incident response. External threat intelligence and advisory solutions will be employed, powered by a leading brand protection platform for detecting misuse of online and social media, an online fraud system to protect against fraudulent online transactions, and continuous threat exposure management capability, providing a risk-informed view of how the Merged Group is targeted and enabling precautionary risk mitigation measures.

The Merged Group will monitor its cyber maturity and will track governance, risk and compliance activities (such as assessments, cyber metrics and reporting, cyber capability, issues and risks) against frameworks as set by a number of leading information security management standards. The Merged Group will utilise a leading third party security operating centre platform.

The Merged Group will also continue to prioritise and proactively take steps to meet its privacy law compliance obligations, utilising the robust and effective privacy practices, procedures and systems Chemist Warehouse and Sigma currently have in place (and regularly monitor) in order to protect customer, supplier and other relevant stakeholder information.

The Merged Group will inherit the existing cyber and information security capabilities of both Chemist Warehouse and Sigma, which include (but are not limited to) the following capabilities which will be present to varying degrees within the Merged Group:

- managed security operations centre including incident detection, vulnerability management and threat intelligence;
- firewall security;
- endpoint networks and gateway monitoring and threat detection;
- cyber governance, risk and compliance including third party risk management;
- security architecture;
- data encryption protection;
- identity management; and
- multi factor authentication.

## 3.6 Integration

### 3.6.1 Approach to integration

Post Implementation, management of the Merged Group will commence a comprehensive integration program across a wide range of functions, focussed on effectively and efficiently integrating the Chemist Warehouse and Sigma businesses.

### 3.6.2 Overview of potential synergies and efficiencies

Post Implementation, and upon combination and integration of Chemist Warehouse and Sigma, the Merged Group will have the potential to unlock significant synergies and efficiencies, reflecting the strong commercial logic of the Transaction.

As a result of initial work undertaken to date to scope and estimate potential synergies, management estimates that potential cost synergies of approximately $60 million per year could be realised by the fourth year post Implementation, with full run rate synergies expected to be achieved in the fifth year post Implementation. Management is currently estimating one-off costs of approximately $75 million will need to be incurred to achieve these potential synergies.

Projected cost synergies are expected to be derived from:

- rationalisation and optimisation of corporate costs (which includes rationalisation of duplicated services and support functions);
- cost savings from consolidation of marketing and general and administration expenses (which includes streamlining third party service provision to corporate and head office functions); and

- supply chain optimisation resulting from optimisation of distribution centres and improved freight utilisation and route optimisation, as well as savings from consolidation of spend with third party freight and supply chain services providers.

The specific timing and quantum of contribution of the above cost synergies (within the overall expected time period and cost synergy estimates outlined above) cannot be stated with precision as this will be influenced by a number of factors including the timing of decisions to be made after implementation of the Transaction to realise cost synergies (which in turn will be impacted by prevailing business conditions and related matters).

## 3.7 ESG

In its sustainability report released in May 2024, Sigma committed to reducing its impact on the environment, and to creating a safe, values-based culture and an inclusive and diverse workforce where its people's careers can thrive.[150] Sigma has also committed to ensuring a governance framework is maintained to operate its business in an ethical way and transparently report on its operations and decision-making processes.

As a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor, the Merged Group recognises it is important to support an efficient and sustainable supply chain, to encourage the wellbeing of its employees and the communities it interacts with to reduce the environmental impact of its activities, and to conduct business in alignment with high standards of ethical behaviour and corporate governance principles.

Given the breadth and depth of the business combination, post Implementation, the Merged Group will undertake a materiality assessment to ascertain whether the materiality targets of the Merged Group need to be altered or re-assessed from those which Sigma has previously outlined.

The Merged Group will review the scope and timeline for the existing 'Plan to 2030' outlined by Sigma, to ensure a comprehensive plan is developed that is fit for purpose for the Merged Group to achieve key goals in areas of focus including climate change, emissions reductions and waste management.

The Merged Group acknowledges the challenges that climate change is posing to the world, and the associated potential risks and opportunities arising for the Merged Group. As such, the Merged Group will consider a phased approach to implementing the recommendations of the Australian Sustainability Reporting Standards.

Whilst yet to be considered by the Merged Group Board, it is the present intention that a baseline for key goals under each sustainability focus area will likely include:

### 3.7.1 **Environment:** Reducing impact on the environment

- Increase the energy efficiency of the Merged Group's offices and distribution centres, and work with the Merged Group's franchisees to identify appropriate energy efficiency initiatives. Such initiatives will include exploring expanding the existing solar systems on distribution centres, exploring solar options for the Retail Network (for example, Chemist Warehouse is conducting roof top solar trials on multiple stores in SA and Victoria) and consolidating Sigma and Chemist Warehouse outbound logistics to reduce kilometres travelled by transportation vehicles;
- Reduce operational waste and meet the requirements of the Australian Packaging Covenant; and
- Investigate opportunities to divert solid waste generated at facilities (warehouses, offices and within Retail Network stores).

### 3.7.2 Social: Invest in the health and wellbeing of the team, and the communities the Merged Group and its franchisees serve

- Invest in the health and wellbeing of the Merged Group's employees;
- Support equitable access to available medicines for all Australian communities; and
- Operate a responsible and ethical supply chain that mitigates the likelihood of modern slavery.

### 3.7.3 **Governance:** Conduct business in an ethical way and transparently report on operations and decision-making processes

- Ensure the Merged Group is a responsible steward of stakeholder data and privacy;
- Report transparently to the market on financial and non-financial performance; and
- Ensure the Board has the right mix of skills, experience and diverse perspectives.

Sigma currently has an 'ESG Steering Committee' led by an Executive Leadership Team with external advisory support, which drives and provides oversight on ESG focus areas for Sigma and periodically reports ESG progress to the Sigma Board.

150. https://investorcentre.sigmahealthcare.com.au/corporate-sustainability#:~:text=Sigma%20Healthcare%20is%20committed%20to,policies%20and%20decision%2Dmaking%20processes.

## 3.8 The Merged Group's growth strategy

Until Implementation has occurred, there are legal limitations imposed by Australian competition laws on the degree to which Sigma and Chemist Warehouse may make joint decisions about the future operation of the Merged Group. The Merged Group will undertake a detailed strategic review of the business following Implementation in order to develop a broader growth strategy and business plan. The summary below provides an indication of the nature of growth opportunities that the Merged Group expects to have.

### 3.8.1 Overview

The Merged Group's growth strategy is expected to include pursuing growth opportunities which, amongst other things, include:

- the continued roll-out of Australian Franchise Network stores;
- the continued roll-out of Chemist Warehouse branded stores internationally;
- expansion of owned, private label, licensed and exclusive brands and products;
- increased online penetration and omni-channel capabilities;
- expansion of in-house media and marketing capabilities;
- supporting franchisees to deliver pharmacy services to customers;
- continuing to achieve profitable growth in the Merged Group's wholesale and third-party logistics business; and
- improving the efficiency of supply chains and logistics.

The key elements of the Merged Group's growth strategy that are expected to be considered include:

### 3.8.2 Continued roll-out of Australian Franchise Network stores

Chemist Warehouse has demonstrated sustained, long-term success in attracting new franchisees, supported by its attractive proposition across a broad range of retail pharmacy market segments and the assistance it provides to franchisees in identifying and facilitating the opening of new stores.[151]

Upon Implementation, the Australian Franchise Network will have multiple retail franchise brands represented in every State and Territory.[152] The Merged Group's growth strategy will involve a continuation of Chemist Warehouse's and Sigma's store growth strategies.

### 3.8.3 International market expansion under the Chemist Warehouse brand

The success internationally to date of Chemist Warehouse demonstrates the transportability and acceptance of the Chemist Warehouse brand and value proposition into new geographies.[153] This lays a solid foundation for the Merged Group to pursue continued long-term growth from international expansion under the Chemist Warehouse brand.

The Merged Group's supply chain capabilities and expertise will enhance the international expansion of the Chemist Warehouse brand.

Continuing to pursue strong growth in the existing international geographies that the Merged Group will have a presence in, as well as evaluating opportunities to enter new international geographies, is expected to form an attractive element of the Merged Group's growth strategy.

### 3.8.4 Expansion of owned, private label, licensed and exclusive brands and products

Expansion of owned, private label and exclusive brands and products across the Merged Group's various retail pharmacy brands represent an attractive growth opportunity for the Merged Group. These products typically have enhanced margins and profitability, with a differentiated product offering making them an important driver of value for franchisees and their customers.

The Merged Group will have a platform and capabilities to launch new/exclusive supplier brands and to expand its range of owned and private label offerings. Chemist Warehouse's suite of fully or partly owned, private label, licenced and exclusive brands and products represented $821 million in network sales in Australia in FY24, which represented a penetration rate of approximately 10% of Chemist Warehouse Retail Network Sales in Australia in FY24.[154]

The Merged Group will build on the strategies that both Chemist Warehouse and Sigma have been pursuing to grow, in a measured manner, the penetration rate of their respective owned, private label and exclusive brands and products.

151. Refer section 3.2.6.
152. Refer map of Australia in section 3.2.4.
153. Refer section 3.3.
154. Management information (unaudited).

### 3.8.5 Increased online penetration and omni-channel capabilities

Upon Implementation, the online and omni-channel capabilities of the Merged Group will be different across its pharmacy franchise brands and websites. It is expected that there will continue to be a focus on improving online and omni-channel capabilities applicable to the online stores of the Merged Group and franchisees with a view to driving increased online penetration through enhanced online store functionality and enhanced capability across Click & Collect and Fast Delivery. Over time there may also be opportunities to explore a best of breed approach whereby the best elements of the Merged Group's online and omni-channel capabilities are applied more broadly across the Merged Group's other online operations.

### 3.8.6 Expansion of in-house media and marketing capability

Expansion of the Merged Group's in-house media and marketing capability across the Merged Group's retail pharmacy franchise brands is an attractive growth opportunity for the Merged Group. Historically the application of this capability has predominately been within the Chemist Warehouse franchise brand. The innovative approach to marketing that Chemist Warehouse has employed, which has been a factor that has contributed to growth in the Chemist Warehouse Australian Franchise Network and for Chemist Warehouse itself, will be an ongoing feature that is expected to drive future growth for the Merged Group. There may also be opportunities to apply aspects of this capability more broadly across the Merged Group's business operations.

### 3.8.7 Supporting franchisees to deliver pharmacy services to customers

Supporting franchisees to deliver adjacent pharmacy services to customers is expected to form part of the Merged Group's growth strategy. It is expected that the Merged Group will invest in and develop its offering to franchisees and customers, bringing innovative services to the market and thereby seeking to capture a greater share of customer expenditure, which is expected to drive benefits for franchisees and in turn, the Merged Group through increased product sales to franchisees and fee revenue from the provision of services. These are expected to include:

#### 3.8.7.1 Ultra Beauty

With a footprint across Australia and New Zealand of 20 stores, the Ultra Beauty retail format is proving successful.[155] There is potential for significant further store rollout as well as growth in the Ultra Beauty online store.

#### 3.8.7.2 Optometrist Warehouse

Launched in 2023 with the aim of disrupting the $4.6 billion optical market in Australia, there is potential for significant further rollout of Optometrist Warehouse stores as well as growth in the Optometrist Warehouse online store.[156]

#### 3.8.7.3 Other

Recognising increasing community support in Australia for pharmacists to be able to provide more professional health services, particularly in relation to common, non-complex conditions, the Merged Group is expected to continue existing initiatives to aid and support pharmacists across Australian Franchise Network stores to offer to their customers an expanding array of health services.

### 3.8.8 Growing profitable market share in the wholesale business

The Merged Group will continue to focus on growing profitable wholesale sales to pharmacies across Australia. Through its national network and distribution infrastructure, the Merged Group will have the ability to effectively meet the needs of existing customers and service new customers.

The Merged Group will continue to offer a compelling proposition to wholesale customers by providing them with the ability to access a wide variety of products (including some exclusive product ranges) through an efficient and effective supply chain from a national network of 14 distribution centres across Australia (and under the obligations of the CSO service standards; see further information in Section 2.5.1.7.3). Sigma's existing distribution centres will be used to service all pharmacies (including independent pharmacies and Australian Franchise Network stores), while Chemist Warehouse's existing distribution centres will exclusively service Chemist Warehouse Australian Franchise Network stores.

The Merged Group will also have available wholesale capacity to absorb a level of future growth without the need for material capital expenditure. Growth will also be supported by automated logistics processes, which will ensure that it is well positioned for future demands on its supply chain.

### 3.8.9 Improving the efficiency of supply chains and logistics

A key area where there is an opportunity to achieve earnings growth in the Merged Group's business is via improving the efficiency of supply chains and logistics across the combined operations of Sigma and Chemist Warehouse.

155. As at 30 June 2024.
156. IBISWorld; Optometry and Optical Dispensing in Australia (September 2024). Based on industry revenue for 2024-25.

# 4 Financial Information

# 4. Financial Information

## 4.1. Introduction

The historical financial information presented in this Section 4 as summarised in Figure 12 reflects that of Chemist Warehouse, and that of the Merged Group, being the pro forma consolidation of Chemist Warehouse and Sigma assuming completion of the Transaction.

There is no actual historical financial information in respect of the Merged Group, as the Merged Group does not exist and will only come into existence upon Implementation. For the purpose of this Prospectus, pro forma historical information for the Merged Group has been prepared by consolidating the standalone actual financial information of each of Chemist Warehouse and Sigma from 1 July 2021 to 30 June 2024, to provide an illustration as to what the Merged Group's financials may have looked like had it existed during that time. As such, statements regarding the Merged Group Pro Forma Historical Information discuss the Merged Group as a whole and may not necessarily be true of Sigma or Chemist Warehouse on a standalone basis during the relevant historical financial periods.

### Figure 12: Summary of Financial Information

| Chemist Warehouse Historical Financial Information | Merged Group Pro Forma Historical Financial Information |
|---|---|
| **Chemist Warehouse Historical Financial Information** includes the following, derived from the statutory financial information:<br>• Chemist Warehouse historical consolidated statements of profit or loss for FY22, FY23 and FY24 (**Chemist Warehouse Historical Income Statements**);<br>• Chemist Warehouse historical consolidated cash flow information for FY22, FY23 and FY24 (**Chemist Warehouse Historical Statements of Cash Flows**); and<br>• Chemist Warehouse historical consolidated statement of financial position as at 30 June 2024 (**Chemist Warehouse Historical Statement of Financial Position**). | **Merged Group Pro Forma Historical Financial Information** includes the:<br>• Merged Group pro forma historical consolidated statements of profit or loss for FY22, FY23 and FY24 (**Merged Group Pro Forma Historical Income Statements**);<br>• Merged Group pro forma historical consolidated cash flow information for FY22, FY23 and FY24 (**Merged Group Pro Forma Historical Statement of Cash Flows**); and<br>• Merged Group pro forma historical consolidated statement of financial position as at 30 June 2024 (**Merged Group Pro Forma Historical Statement of Financial Position**). |

- The **Chemist Warehouse Historical Financial Information**; the **Merged Group Pro Forma Historical Financial Information**; and the **Sigma Historical Financial Information** (as defined and contained in Annexure A and as prepared as described in Section 4.2.2), together form the Financial Information.

Also included in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- information regarding certain non-IFRS financial measures (see Section 4.3);
- the Pro Forma Adjustments made to derive the Merged Group Pro Forma Historical Financial Information (see Sections 4.4.3, 4.5.3 and 4.6.1);
- a summary of the key pro forma operating and financial measures (see Section 4.4.4);
- a summary of the Merged Group's pro forma net cash/(debt) as at 30 June 2024 (see Section 4.6.2);
- a summary of the Merged Group's lease commitments as at 30 June 2024 (see Section 4.6.3);
- management discussion and analysis of the Merged Group Pro Forma Historical Financial Information (see Section 4.7 and Section 4.8);
- a summary of the Merged Group's proposed dividend policy (see Section 4.9); and
- a summary of the Merged Group's financial outlook (see Section 4.10).

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5, the summary of significant accounting policies described in Annexure B and other information contained in this Prospectus.

The Financial Information presented in this Prospectus has been reviewed by PricewaterhouseCoopers Securities Ltd (**Investigating Accountant**) in accordance with the Australian Standard on Assurance Engagements ASAE 3450 'Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information', as stated in its Independent Limited Assurance Report on the Financial Information. Investors should note the scope and limitations of the Independent Limited Assurance Report (contained in Section 8).

All amounts disclosed in this Section 4 and the Appendices are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $0.1 million. Rounding in the historical financial information may result in some immaterial differences between the components and the total percentage calculations outlined within the figures and commentary.

## 4.2. Basis of preparation and presentation of the Financial Information

### 4.2.1. Overview

The Sigma Directors are responsible for the Sigma Historical Financial Information and the Chemist Warehouse Directors are responsible for the Chemist Warehouse Historical Financial Information. The Merged Group Directors and Proposed Directors are responsible for the Merged Group Pro Forma Historical Financial Information.

The Merged Group Pro Forma Historical Financial Information does not purport to reflect the actual financial performance, cash flows and financial position of the Merged Group.

The historical financial information has been prepared in accordance with the recognition and measurement principles prescribed in the Accounting Standards (including Australian Accounting Interpretations) issued by the AASB, which are consistent with the International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

A summary of Merged Group's proposed accounting policies is included in Annexure B.

The historical financial information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information required by the Accounting Standards and other mandatory professional reporting requirements applicable to financial reports prepared in accordance with the Corporations Act.

Certain non-IFRS financial measures that the Merged Group will use to manage and report on its business that are not defined under or summarised by the Accounting Standards or IFRS are presented within this Section 4. An explanation of these non-IFRS financial measures is available in Section 4.3.

Investors should note that past results are not a guarantee of future performance.

### 4.2.2. Accounting treatment of the Transaction

The legal acquisition by Sigma of Chemist Warehouse will be a reverse acquisition under AASB 3 *Business Combinations*. Consequently, for accounting and financial reporting purposes, Chemist Warehouse is treated as the accounting acquirer and Sigma is treated as the accounting acquiree.

Whilst Sigma is the legal entity and the accounts will be represented as Sigma accounts, they will be prepared on the basis of Chemist Warehouse, representing the continuing accounts.

Accordingly, the Merged Group will present accounts on the following basis:

- Chemist Warehouse continuing accounts at historical cost and is the accounting acquirer; and
- Sigma recognised at fair value on date of acquisition and is the accounting acquiree.

Under AASB 3 *Business Combinations*, the Merged Group will be required to recognise the identifiable net assets of Sigma at fair value on the acquisition date in the Merged Group's financial statements. Any excess between the fair value of the consideration paid and the fair value of the identifiable net assets of Sigma will be recognised as goodwill subject to the completion of a full valuation and purchase price allocation including with regards to any unrecognised identifiable intangibles relating to Sigma.

Under AASB 3 *Business Combinations*, the Merged Group will have 12 months from the date of Chemist Warehouse gaining control over Sigma to undertake a purchase price allocation exercise to determine the fair value of goodwill and identifiable assets (including intangible assets) and liabilities related to the acquisition of Sigma.

For the purposes of preparing the Merged Group Pro Forma Historical Statement of Financial Position, the difference between Sigma's market capitalisation at 8 November 2024 and the estimated fair value of Sigma's net assets at 31 July 2024 (inclusive of the estimated fair value of right-of-use assets and intangible assets) has been reflected as goodwill. Subsequent to Implementation, the actual determination of the fair values of acquired assets and liabilities including identifiable assets and liabilities acquired, and goodwill, may differ to those values presented in the Merged Group Pro Forma Historical Statement of Financial Position.

The Merged Group Pro Forma Historical Income Statement includes an estimate of additional amortisation in relation to the estimated finite life intangible assets that may arise following the completion of the purchase price allocation exercise.

Whilst Chemist Warehouse is the acquirer from an accounting perspective, from a tax perspective Sigma is the acquirer. For the purpose of preparing the Merged Group Pro Forma Historical Statement of Financial Position, it has been assumed that there will be no resetting of Chemist Warehouse's tax cost base following Implementation. However, it is possible that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in the Merged Group Pro Forma Historical Statement of Financial Position.

### 4.2.3. Preparation of historical financial information

The Chemist Warehouse Historical Financial Information has been extracted from Chemist Warehouse's consolidated financial statements for the periods FY22 (as extracted from FY23 financial statements), FY23 (as extracted from FY24 financial statements) and FY24. The consolidated financial statements of Chemist Warehouse have been audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards, and PricewaterhouseCoopers have provided unqualified audit opinions on these financial statements. The Chemist Warehouse Historical Financial Information is summarised in Sections 4.4.2, 4.5.2 and 4.6.1.

The Merged Group Pro Forma Historical Financial Information has been derived from the Chemist Warehouse Historical Financial Information and adjusted for the effects of the pro forma adjustments described below. The Pro Forma Adjustments have been prepared solely for the inclusion in this Prospectus and reflect the effects of the Scheme as if it had been implemented immediately prior to 1 July 2021 in respect of the Merged Group Pro Forma Historical Income Statements and Merged Group Pro Forma Historical Statements of Cash Flows, and on 30 June 2024 in respect of the Merged Group Pro Forma Historical Statement of Financial Position. These pro forma adjustments include:

- the acquisition of Sigma effective for FY22, FY23 and FY24;
- intercompany eliminations of historical transactions between Chemist Warehouse and Sigma;
- accounting policy application;
- removal of Sigma's discontinued operations;
- removal of the non-recurring transaction costs incurred by Chemist Warehouse and Sigma associated with the Transaction;
- the impact of the Transaction on the capital structure of the Merged Group, new Banking Facilities, transaction costs and the payment by Sigma to Chemist Warehouse shareholders; and
- the assumed income tax effect of the above pro forma adjustments.

The Sigma Historical Financial Information presented in this Section 4 is represented for the 12 months ended, 31 July 2022, 31 July 2023 and 31 July 2024. This information has been compiled and derived from:

- The year ended 31 January 2022 less the half year ended 31 July 2021 plus the half year ended 31 July 2022;
- The year ended 31 January 2023 less the half year ended 31 July 2022 plus the half year ended 31 July 2023; and
- The year ended 31 January 2024 less the half year ended 31 July 2023 plus the half year ended 31 July 2024.

Refer to Annexure B for the Sigma Historical Financial Information and the underlying calculations utilised to derive the Sigma Historical Financial Information for the years ended 31 July.

The Sigma Historical Financial Information adopts a presentation and category naming convention that is different to that of the Chemist Warehouse Historical Financial Information. Therefore, in order to present the Merged Group Pro Forma Historical Financial Information, Sigma's financial information has been remapped to be presented on a basis consistent with the Chemist Warehouse financial disclosures. This remapping process changes the name of the income statement, cash flow statement or balance sheet line item in which figures are reported but has no net impact on EBIT, profit after income tax expense, net cash flows or net assets.

The Sigma Historical Financial Information adopts a presentation and category naming convention that is different to that of the Chemist Warehouse Historical Information. Therefore, in order to present the Merged Group Pro Forma Historical Financial Information, Sigma's financial information has been remapped to be presented on a basis consistent with the Chemist Warehouse financial disclosures. This remapping process changes the name of the income statement or balance sheet line item in which figures are reported but has no net impact on EBIT, profit after tax, net cash flows or net assets.

The Merged Group Pro Forma Historical Financial Information presented in this Prospectus reflects the aggregation of financial information from different periods (to 30 June for Chemist Warehouse and to 31 July for Sigma) as Chemist Warehouse has a financial year end of 30 June and Sigma has a financial year end of 31 January. In respect of the presentation of the Merged Group Pro Forma Historical Financial Information, this timing difference does not have a material impact.

In preparing the Merged Group Pro Forma Historical Financial Information, a review has been undertaken to identify significant accounting policy differences between Chemist Warehouse and Sigma where the impact to the Merged Group Pro Forma Historical Financial Information is potentially material and could be reliably estimated. Other than the Pro Forma Adjustments disclosed in Section 4.4.3, no other material accounting policy differences that would have a material impact on the Merged Group Pro Forma Historical Financial Information were identified.

Section 4.4.3, Figures 16, 17 and 18 set out the reconciliation of the Chemist Warehouse Historical Income Statements to the Merged Group Pro Forma Historical Income Statements for FY22, FY23 and FY24, including a description of the pro forma adjustments applied.

Section 4.5.3, Figures 23, 24 and 25 set out the reconciliation of the Chemist Warehouse Historical Statement of Cash Flows to the Merged Group Pro Forma Historical Statement of Cash Flows for FY22, FY23 and FY24, including a description of the pro forma adjustments applied.

Section 4.6.1 and Figure 26 sets out the reconciliation of the Chemist Warehouse Historical Statement of Financial Position to the Merged Group Pro Forma Historical Statement of Financial Position, including a description of the pro forma adjustments applied.

### 4.2.4. Items not reflected in the Merged Group Pro Forma Historical Financial Information

As detailed above, the Merged Group Pro Forma Historical Financial Information is provided for illustrative purposes only. The Merged Group Pro Forma Historical Financial Information presented in this Section 4 does not purport to reflect the likely actual or prospective reported financial performance, financial position or cash flows of the Merged Group.

The Merged Group Pro Forma Historical Financial Information does not reflect the following items:

- the realisation of synergies and business improvements estimated at $60 million per annum (nor associated one-off costs to achieve those synergies estimated at $75 million) in connection with the merger of Chemist Warehouse and Sigma (see Section 3.6.2). The estimated costs include after the Transaction, noting that agreements with these employees or executives have not been reached at the Prospectus Date; and
- changes to key management personnel remuneration including any new, or revisions to, long term incentive plans. Refer to Section 6.4 for details of the remuneration of key management personnel. Any changes in Section 6.4 have not been incorporated into the analysis; and

### 4.2.5. Factors that may impact the actual financial performance, financial position or cash flows of the Merged Group

It is likely the future financial performance, financial position and cash flows of the Merged Group in future periods will differ from the Merged Group Pro Forma Historical Financial Information presented in this Section 4.

The factors which may impact the future financial performance, financial position or cash flows of the Merged Group include but are not limited to:

- trading of Chemist Warehouse after 30 June 2024, and Sigma after 31 July 2024, which is not reflected in the historical financial information of Chemist Warehouse and Sigma. This includes the Sigma Supply Agreement;
- the risk factors set out in Section 5;
- the ultimate timing and success of Implementation;
- any loss of Sigma franchisees that may occur as a result of the Merger Undertaking described in Section 9.3;
- changes in the Sigma share price will alter the value of the consideration for the Transaction for accounting purposes, as the consideration will be calculated on the Implementation Date;
- finalisation of the acquisition accounting (in accordance with AASB 3 *Business Combinations*), including determining appropriate purchase price allocations, such as the identification and fair value of all assets and liabilities acquired and determining the allocation of the goodwill balance to Cash Generating Units (**CGUs**).
- differences between the estimated amount of transaction costs and the amount ultimately incurred; and
- any future changes to the Accounting Standards.

### 4.2.6. Estimated purchase price allocation

Goodwill represents the excess of the estimated purchase price over the estimated fair value of Sigma's identifiable assets and liabilities and the application of the Accounting Standards to the Transaction. Goodwill will not be amortised but will be subject to periodic impairment testing. The goodwill balance shown in the Merged Group Pro Forma Historical Financial Information is preliminary and will change dependent on the final consideration and fair value of identifiable assets and liabilities acquired at the Implementation Date.

The preliminary purchase price has been prepared on the basis of the Sigma share price as at 8 November 2024 and the Sigma balance sheet as at 31 July 2024.

For each increase or decrease in the Sigma share price of $0.01 between the 8 November 2024 and the Implementation Date, the estimated goodwill balance will increase or decrease by $16.3 million.

**Figure 13 – Accounting for acquisition of Sigma and estimated goodwill allocation**

| $m | Note | |
|---|---|---|
| Sigma number of ordinary shares on issue at 31 July 2024 | | 1,631,866,135 |
| Sigma share price at 8 November 2024 | | $2.54 |
| **Preliminary purchase price** | | **4,144.9** |
| **Fair value of Sigma identifiable net assets acquired** | | |
| Sigma net assets acquired as at 31 July 2024 | 1 | 871.7 |
| Previously recognised goodwill | 2 | (99.9) |
| Fair value of intangible assets | 3 | 180.1 |
| Uplift in fair value of right-of-use assets | 4 | 53.8 |
| Deferred tax liability | 5 | (70.2) |
| Non-controlling interest | 6 | (1.8) |
| **Fair value of Sigma identifiable net assets acquired** | | **933.8** |
| **Allocation to goodwill** | | **3,211.1** |

**Notes:**

1. Sigma's net asset balance at 31 July 2024.
2. For the purpose of determining goodwill under AASB3, the existing goodwill balance on the Sigma balance sheet does not have value attributed to it.
3. Estimate of value attributable to identifiable intangible assets consisting of: brand names ($106.5 million), franchise agreements ($28.3 million) and customer relationships ($45.3 million).
4. Existing right-of-use asset is revalued to equal the associated lease liability.
5. Deferred tax liability recognised equal to 30% of the uplift in value of right-of-use assets and intangible assets.
6. Non-controlling interest is excluded from the value of net assets acquired.

### 4.2.7. Segment information

The Merged Group intends to report as a single reporting segment, Healthcare, in accordance with AASB 8 *Operating Segments*. The segment is based on the assumption that the Chief Operating Decision Makers will be the Chief Executive Officer and executive directors and that the Chief Operating Decision Makers will review and make decisions on the allocation of resources based on the Healthcare segment as a whole. A decision about this may only be made once Implementation has occurred. As such the segmental reporting will be consistent with the consolidated Merged Group Pro Forma Historical Financial Information and is therefore not shown separately in this Section 4.

## 4.3. Explanation of certain non-IFRS financial and operating measures

The Merged Group will use certain measures to manage and report on its businesses that are not recognised under Accounting Standards or IFRS. These measures are collectively referred to in this Section 4 as non-IFRS financial measures pursuant to Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC.

Management will use these non-IFRS financial measures to evaluate the performance and profitability of the Merged Group business. Non-IFRS financial measures are intended to supplement the measures calculated in accordance with Accounting Standards and not as a substitute for those measures. These non-IFRS financial measures do not have a prescribed definition under IFRS and the method that the Merged Group will use to calculate them may be different to methods adopted by other companies to calculate similarly titled measures. Investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus.

Included in the non-IFRS financial and operating measures are certain measures regarding the performance and number of stores within the Retail Network. The Chemist Warehouse Australian Franchise Network will not be owned by the Merged Group. The stores in New Zealand and Ireland and two Optometrist Warehouse stores in Australia will be partly owned by the Merged Group, while the Merged Group will reflect 100% economic contribution of the China store network. Accordingly, a very small proportion of Chemist Warehouse Retail Network Sales is revenue of the Merged Group. The relevance of Chemist Warehouse Retail Network Sales, Chemist Warehouse Retail Network store numbers and Like-For-Like Chemist Warehouse Retail Network Sales Growth (% increase) is that the inventory sold by the Chemist Warehouse Retail Network is typically purchased from the Merged Group and Chemist Warehouse provides franchisor services to the Retail Network and so the overall financial health of the Retail Network will continue to be important to the Merged Group. Sigma Franchise Network sales are not included in the non-IFRS financial and operating measures due to limitations in the availability of franchise store sales data historically.

The principal non-IFRS financial and operating measures included in this Prospectus are as follows:

- **Retail Network** refers to the total number of stores at each period end that are either:
  - owned by third parties but operate as franchisees of the Merged Group (including Pipeline Stores). At 30 June 2024, the Australian Franchise Network consisted of 880 stores in Australia; or
  - fully or partially owned by the Merged Group. At 30 June 2024, the Retail Network included 72 fully or partially owned stores in New Zealand, Ireland and Australia and operated in China through service agreements with local companies.
- **Chemist Warehouse Retail Network Sales** refers to the aggregate sales (including online sales being those fulfilled by the Chemist Warehouse Retail Network or by Chemist Warehouse) of the Chemist Warehouse Retail Network over a relevant period.
- **Like-For-Like Chemist Warehouse Retail Network Sales Growth** (% increase) represents the percentage change of Chemist Warehouse Retail Network Sales generated by a group of stores in the Chemist Warehouse Retail Network in a relevant period, compared to the same set of stores in the Chemist Warehouse Retail Network in the prior corresponding period. A Chemist Warehouse store is included in this measure once it has been open throughout both the current twelve month period and the prior corresponding twelve month period.
- **Revenue Growth** (% increase) reflects the period-on-period percentage change in total Merged Group revenue.
- **EBIT** is calculated as profit or loss before interest income, interest expense and interest on the lease liability and lease receivable recognised under AASB 16 *Leases* and income tax expense.
- **EBIT Margin** (%) is a profitability measure derived by dividing EBIT by revenue, expressed as a percentage.
- **EBITDA** is calculated as profit or loss before depreciation (including depreciation on the right of use asset recognised under AASB 16 *Leases*) and amortisation, interest income, interest expense and interest on the lease liability and lease receivable recognised under AASB 16 *Leases* and income tax expense.
- **EBITDA Margin** (%) is a profitability measure derived by dividing EBITDA by revenue, expressed as a percentage.

## 4.4. Historical Income Statements

### 4.4.1. Merged Group Pro Forma Historical Income Statements

Set out in Figure 14 are the Merged Group Pro Forma Historical Income Statements for FY22, FY23 and FY24. Refer to Section 4.4.3 for the Chemist Warehouse Historical Income Statement to Merged Group Pro Forma Historical Income Statement reconciliation.

**Figure 14: Merged Group Pro Forma Historical Income Statements**

| $m | Note | FY22 | FY23 | FY24 |
|---|---|---|---|---|
| Revenue | 1 | 6,435.8 | 6,486.2 | 6,655.7 |
| Cost of sales | 2 | (5,060.0) | (5,271.1) | (5,343.4) |
| **Gross profit** | | **1,375.8** | **1,215.1** | **1,312.3** |
| Share of profits of associates and joint ventures accounted for using the equity method | 3 | 8.2 | 13.0 | 23.1 |
| Other income | 4 | 33.4 | 71.2 | 45.2 |
| **Operating expenses** | | | | |
| Warehousing and distribution expenses | 5 | (341.7) | (342.8) | (302.4) |
| Marketing and sales expenses | 6 | (113.3) | (122.4) | (132.3) |
| Administration and general expenses | 7 | (371.3) | (325.1) | (340.5) |
| **Operating expenses** | | **(826.3)** | **(790.4)** | **(775.1)** |
| **EBIT** | | **591.1** | **508.9** | **605.5** |
| Net finance costs | 8 | (64.5) | (83.8) | (58.2) |
| **Profit before income tax expense** | | **526.6** | **425.1** | **547.3** |
| Income tax expense | 9 | (156.0) | (123.4) | (25.5) |
| **Profit after income tax expense for the year** | | **370.7** | **301.7** | **521.8** |
| (Profit)/Loss attributable to non-controlling interests | | (0.2) | 0.9 | 0.5 |
| **Profit attributable to owners of the Merged Group** | | **370.5** | **302.6** | **522.3** |

**Notes:**

1. Revenue represents wholesale sales delivered through distribution centres to the Australian Franchise Retail Network and independent pharmacies, retail sales in the Merged Group's partially owned stores in Australia, Ireland and 100% economic contribution of the China stores, franchise and related fees, fees revenue (earned for wholesale sales directly delivered by suppliers where the Merged Group acts as an agent), marketing and advertising income.
2. Costs of sales includes the cost of wholesale inventory sold to both stores in the Australian Franchise Network and independent pharmacies. Also included are direct costs related to delivering marketing, advertising and other revenue such as production and placement expenses and letterbox distribution. Cost of sales also includes certain supplier marketing and support income which under accounting standards is accounted for as a reduction to the cost of wholesale inventory.
3. Share of profits of associates and joint ventures accounted for using the equity method primarily represents Chemist Warehouse's share of the New Zealand stores accounted for using the equity method.
4. Other income includes membership revenue, sundry income and other non-recurring income including dividends received, revaluation of investments and gain/loss on disposal of investments.
5. Warehousing and distribution expenses comprises warehouse, depreciation and amortisation, employee costs, occupancy expenses, freight costs, consumables and other minor related expenses.
6. Marketing and sales expenses comprises marketing and sales employee costs, commission and agent fees and all advertising and promotion overhead expenses not captured within costs of sales.
7. Administration and general expenses comprises administration, depreciation and amortisation, finance and HR employees costs, consultant and professional fees, occupancy costs, and other general administration costs. It also includes an estimate of the amortisation of estimated fair value of finite life intangible assets recognised in respect of the Transaction.
8. Net finance costs represents net interest (paid)/received, net interest accounted for under AASB 16 *Leases* and other minor finance (cost)/income items.
9. Income tax represents the income tax expense in respect of the net income generated in each period.

### 4.4.2. Chemist Warehouse Historical Income Statements

Set out in Figure 15 are the Chemist Warehouse Historical Income Statements for FY22, FY23 and FY24.

**Figure 15 Chemist Warehouse Historical Income Statements**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| Revenue | 2,992.9 | 3,090.7 | 3,294.4 |
| Cost of sales | (1,920.6) | (2,173.0) | (2,251.5) |
| **Gross profit** | 1,072.4 | 917.7 | **1,043.0** |
| Share of profits of associates and joint ventures accounted for using the equity method | 8.2 | 13.0 | 23.1 |
| Other income | 3.2 | 18.0 | 5.8 |
| **Operating expenses** | | | |
| Warehousing and distribution expenses | (178.3) | (175.6) | (148.9) |
| Marketing and sales expenses | (63.5) | (77.3) | (88.3) |
| Administration and general expenses | (255.9) | (236.1) | (253.1) |
| **Operating expenses** | **(497.8)** | **(489.0)** | **(490.3)** |
| **EBIT** | **585.9** | **459.8** | **581.5** |
| Net finance costs | (35.9) | (30.4) | (7.4) |
| **Profit before income tax expense** | **550.0** | **429.4** | **574.1** |
| Income tax expense | (165.0) | (126.9) | (34.5) |
| **Profit after income tax expense** | **385.0** | **302.5** | **539.7** |
| (Profit)/loss attributable to non-controlling interests | 0.9 | 1.9 | 1.4 |
| **Profit attributable to owners of Chemist Warehouse** | **385.9** | **304.3** | **541.0** |

### 4.4.3. Pro forma adjustments to the Historical Income Statements

Set out in Figure 16, 17 and 18 are the pro forma adjustments made to derive the Merged Group Pro Forma Historical Income Statement for FY22, FY23 and FY24.

**Figure 16 Pro forma adjustments to Chemist Warehouse Historical Income Statement – FY24**

| $m | Chemist Warehouse | 1. Acquisition of Sigma | 2. Inter-company eliminations | 3. Accounting policy application | 4. Discontinued operations | 5. Transaction costs | 6. Impact of the Transaction | 7. Income tax effect | Merged Group Pro Forma |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 3,294.4 | 3,496.6 | (23.3) | (112.1) | | – | – | – | 6,655.7 |
| Cost of sales | (2,251.5) | (3,263.0) | 23.3 | 147.8 | | – | – | – | (5,343.4) |
| **Gross profit** | **1,043.0** | **233.6** | **0.0** | **35.7** | | **–** | **–** | **–** | **1,312.3** |
| Share of profits of associates and joint ventures accounted for using the equity method | 23.1 | – | – | – | | – | – | – | 23.1 |
| Other income | 5.8 | 76.3 | (0.0) | (36.9) | | – | – | – | 45.2 |
| **Operating expenses** | | | | | | | | | |
| Warehousing and distribution expenses | (148.9) | (153.4) | – | – | | – | – | – | (302.4) |
| Marketing and sales expenses | (88.3) | (44.0) | – | – | | – | – | – | (132.3) |
| Administration and general expenses | (253.1) | (104.8) | – | – | | 24.8 | (7.4) | – | (340.5) |
| **Operating expenses** | **(490.3)** | **(302.2)** | **–** | **–** | | **24.8** | **(7.4)** | **–** | **(775.1)** |
| **EBIT** | **581.5** | **7.7** | **0.0** | **(1.2)** | | **24.8** | **(7.4)** | **–** | **605.5** |
| Net finance costs | (7.4) | (5.0) | – | – | | – | (45.9) | – | (58.2) |
| **Profit before income tax expense** | **574.1** | **2.7** | **0.0** | **(1.2)** | | **24.8** | **(53.2)** | **–** | **547.3** |
| Income tax expense | (34.5) | (4.9) | – | – | | – | – | 13.9 | (25.5) |
| **Profit after income tax expense** | **539.7** | **(2.1)** | **0.0** | **(1.2)** | | **24.8** | **(53.2)** | **13.9** | **521.8** |
| (Profit)/Loss attributable to non-controlling interests | 1.4 | (0.9) | – | – | | – | – | – | 0.5 |
| **Profit attributable to owners of the Merged Group** | **541.0** | **(3.0)** | **0.0** | **(1.2)** | **–** | **24.8** | **(53.2)** | **13.9** | **522.3** |

**Notes:** Refer to Figure 18 for associated notes.

Figure 17 Pro forma adjustments to Chemist Warehouse Historical Income Statement – FY23

| $m | Chemist Warehouse | 1. Acquisition of Sigma | 2. Intercompany eliminations | 3. Accounting policy application | 4. Discontinued operations | 5. Transaction costs | 6. Impact of the Transaction | 7. Income tax effect | Merged Group Pro Forma |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 3,090.7 | 3,526.2 | (21.3) | (108.9) | (0.5) | | – | – | 6,486.2 |
| Cost of sales | (2,173.0) | (3,284.5) | 21.3 | 165.9 | (0.8) | | – | – | (5,271.1) |
| **Gross profit** | **917.7** | **241.7** | **0.0** | **57.0** | **(1.3)** | | **–** | **–** | **1,215.1** |
| Share of profits of associates and joint ventures accounted for using the equity method | 13.0 | – | – | – | – | | – | – | 13.0 |
| Other income | 18.0 | 95.4 | (0.0) | (39.9) | (2.3) | | – | – | 71.2 |
| **Operating expenses** | | | | | | | | | |
| Warehousing and distribution expenses | (175.6) | (172.9) | – | – | 5.6 | | – | – | (342.8) |
| Marketing and sales expenses | (77.3) | (46.2) | – | – | 1.0 | | – | – | (122.4) |
| Administration and general expenses | (236.1) | (81.7) | – | – | 0.1 | | (7.4) | – | (325.1) |
| **Operating expenses** | **(489.0)** | **(300.8)** | **–** | **–** | **6.7** | | **(7.4)** | **–** | **(790.4)** |
| **EBIT** | **459.8** | **36.3** | **(0.0)** | **17.1** | **3.1** | | **(7.4)** | **–** | **508.9** |
| Net finance costs | (30.4) | (15.8) | – | – | – | | (37.6) | | (83.8) |
| **Profit before income tax expense** | **429.4** | **20.5** | **(0.0)** | **17.1** | **3.1** | | **(44.9)** | | **425.1** |
| Income tax expense | (126.9) | (4.9) | – | – | 0.1 | | – | 8.3 | (123.4) |
| **Profit after income tax expense** | **302.5** | **15.5** | **(0.0)** | **17.1** | **3.2** | | **(44.9)** | **8.3** | **301.7** |
| (Profit)/Loss attributable to non-controlling interests | 1.9 | (1.0) | – | – | | | – | – | 0.9 |
| **Profit attributable to owners of the Merged Group** | **304.3** | **14.5** | **(0.0)** | **17.1** | **3.2** | | **(44.9)** | **8.3** | **302.6** |

**Notes:** Refer to Figure 18 for associated notes.

### Figure 18 Pro forma adjustments to Chemist Warehouse Historical Income Statement – FY22

| $m | Chemist Warehouse | 1. Acquisition of Sigma | 2. Inter-company eliminations | 3. Accounting policy application | 4. Discontinued operations | 5. Transaction costs | 6. Impact of the Transaction | 7. Income tax effect | Merged Group Pro Forma |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 2,992.9 | 3,569.9 | (17.3) | (108.6) | (1.1) | | – | – | 6,435.8 |
| Cost of sales | (1,920.6) | (3,309.1) | 17.3 | 152.6 | (0.3) | | – | – | (5,060.0) |
| **Gross profit** | **1,072.4** | **260.8** | **0.0** | **44.0** | **(1.4)** | | **–** | **–** | **1,375.8** |
| Share of profits of associates and joint ventures accounted for using the equity method | 8.2 | – | – | | – | | – | – | 8.2 |
| Other income | 3.2 | 77.6 | (0.0) | (42.6) | (4.7) | | – | – | 33.4 |
| **Operating expenses** | | | | | | | | | |
| Warehousing and distribution expenses | (178.3) | (174.8) | – | – | 11.4 | | – | – | (341.7) |
| Marketing and sales expenses | (63.5) | (52.1) | – | – | 2.3 | | – | – | (113.3) |
| Administration and general expenses | (255.9) | (108.2) | – | – | 0.2 | | (7.4) | – | (371.3) |
| **Operating expenses** | **(497.8)** | **(335.1)** | **–** | **–** | **13.9** | | **(7.4)** | **–** | **(826.3)** |
| **EBIT** | **585.9** | **3.3** | **(0.0)** | **1.4** | **7.8** | | **(7.4)** | **–** | **591.1** |
| Net finance costs | (35.9) | (11.8) | – | | – | | (16.7) | | (64.5) |
| **Profit before income tax expense** | **550.0** | **(8.5)** | **(0.0)** | **1.4** | **7.8** | | **(24.1)** | **–** | **526.6** |
| Income tax expense | (165.0) | 2.2 | – | | 0.1 | | | 6.8 | (156.0) |
| **Profit after income tax expense** | **385.0** | **(6.4)** | **(0.0)** | **1.4** | **7.9** | | **(24.1)** | **6.8** | **370.7** |
| (Profit)/Loss attributable to non-controlling interests | 0.9 | (1.1) | – | – | – | | – | – | (0.2) |
| **Profit attributable to owners of the Merged Group** | **385.9** | **(7.4)** | **(0.0)** | **1.4** | **7.9** | | **(24.1)** | **6.8** | **370.5** |

**Notes:**

1. **Acquisition of Sigma:** reflects the acquisition of Sigma as if it had occurred immediately prior to 1 July 2021 excluding the impact of one-off transaction costs. This pro forma adjustment includes the actual historical financial information of Sigma for the 12-month period ended 31 July as remapped to align with Chemist Warehouse presentation format as outlined in Section 4.2.2. A reconciliation of Sigma's financial information from the audited financial year ended 31 January to the 12-month period ended 31 July is presented at Annexure A.
2. **Intercompany eliminations:** reflects the removal of intercompany transactions between Chemist Warehouse and Sigma, including the elimination of sales revenue, cost of goods sold and other income. Eliminations relate to the sale of goods from Sigma to Chemist Warehouse and the associated rebates, with dividends received by Chemist Warehouse from Sigma related to Chemist Warehouse's existing investment in Sigma also eliminated.
3. **Accounting policy application:** there is a difference between Chemist Warehouse's accounting policy for certain marketing and supplier income received from suppliers, which are recorded as a reduction in the cost of inventory (and ultimately cost of sales), and Sigma's equivalent policy. The accounting outcomes where Sigma's sales were made directly to Chemist Warehouse Australian Franchise Network stores also differs when applying the acquirer's policy to the Merged Group as a whole. This pro forma adjustment reflects Chemist Warehouse's accounting policy applied on a consistent basis across all periods and across the Merged Group as a whole.
4. **Discontinued operations:** reflects the removal of income and costs associated with Cura and WholeLife Pharmacy businesses which were discontinued by Sigma in December 2022.
5. **Transaction costs:** represents the removal of non-recurring transaction costs incurred by Chemist Warehouse and Sigma in association with the Transaction in FY24. These costs include financial advisory, legal, regulatory, accounting, tax and other professional fees and do not relate to the ongoing operations of the Merged Group.
6. **Impact of the Transaction:** reflects the following
   - the incremental interest expense expected to be incurred on the Banking Facilities which Sigma have agreed to in connection to the Transaction. This adjustment has been applied to the historical period as if the Transaction occurred and the Banking Facilities were in place immediately prior to 1 July 2021. The pro forma interest expense is determined by applying the Banking Facility interest rate to the proposed $780.5 million debt draw down used to fund the $700.0 million payment to Chemist Warehouse shareholders and $80.5 million of transaction costs incurred on Implementation; and
   - the incremental amortisation expected to be incurred on the estimated $180.1 million of intangible assets recognised in respect of the Transaction.
7. **Income tax effect:** an effective tax rate of 30% has been assumed for the purposes of determining the income tax effect of the pro forma adjustments reflected in the Merged Group Pro Forma Historical Financial Information. Due to permanent differences that exist, the actual effective tax rate of the Merged Group subsequent to Implementation will likely vary from the 30% tax rate utilised.

### 4.4.4. Key Merged Group Pro Forma Financial and Operating Measures

Set out in Figure 19 is a summary of the Merged Group's Key Pro Forma Historical Financial and Operating Measures for FY22, FY23 and FY24.

**Figure 19 Key Merged Group Pro Forma Financial and Operating Measures**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| **Retail Network (stores at period end)** | | | |
| Chemist Warehouse | 529 | 549 | 569 |
| Sigma | 325 | 344 | 313 |
| **Australia** | **854** | **893** | **882** |
| International | 44 | 54 | 70 |
| **Total Retail Network (stores at period end)** | **898** | **947** | **952** |
| **Chemist Warehouse Retail Network Sales** | | | |
| Australia | 6,213.1 | 7,068.0 | 7,909.9 |
| International | 612.1 | 819.4 | 1,092.0 |
| **Total Chemist Warehouse Retail Network Sales** | **6,825.2** | **7,887.4** | **9,001.9** |
| **Like-For-Like Chemist Warehouse Retail Network Sales Growth (%)** | | | |
| Australia | 12.1% | 11.8% | 9.8% |
| International | (6.5)% | 21.5% | 14.4% |
| **Total Like-For-Like Chemist Warehouse Retail Network Sales Growth (%)** | **10.9%** | **12.5%** | **10.2%** |
| **Financial Measures** | | | |
| Revenue growth (%) | | 0.8% | **2.6%** |
| EBIT ($m) | 591.1 | 508.9 | 605.5 |
| EBIT margin (%) | 9.2% | 7.8% | 9.1% |
| EBITDA ($m) | 764.4 | 641.1 | 675.2 |
| EBITDA margin (%) | 11.9% | 9.9% | 10.1% |

**Note:** Retail Network (stores at period end) for Sigma excludes Guardian and PharmaSave brands in all periods.

## 4.5. Historical Statements of Cash Flows

### 4.5.1. Merged Group Pro Forma Historical Statements of Cash Flows

Set out in Figure 20 are the Merged Group Pro Forma Historical Statements of Cash Flows for FY22, FY23 and FY24.

**Figure 20 Merged Group Pro Forma Historical Statements of Cash Flows**

| $m | Notes | FY22 | FY23 | FY24 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| **EBIT** | | **591.1** | **508.9** | **605.5** |
| Net interest and other finance costs paid and received | 1 | (64.5) | (83.8) | (58.2) |
| Income tax paid | | (136.5) | (186.4) | (68.2) |
| Depreciation and amortisation | 2 | 173.3 | 132.2 | 69.7 |
| Other non-cash items | 3 | 1.5 | (31.5) | (9.9) |
| Movement in working capital | 4 | (237.2) | 111.6 | (341.8) |
| **Net cash from operating activities** | | **327.6** | **451.0** | **197.1** |
| **Cash flows from investing activities** | | | | |
| Net payment for property, plant, equipment and intangibles | | (37.6) | (27.1) | (38.7) |
| Payment for financial assets at fair value through other comprehensive income | 5 | (1.7) | (21.0) | (2.9) |
| Proceeds from sale of investments | 6 | – | 60.4 | 5.5 |
| Other investing cash flows | 7 | (4.8) | (0.1) | 0.1 |
| Principal elements of lease receipts | 8 | 6.9 | 48.7 | 109.5 |
| **Net cash from investing activities** | | **(37.3)** | **60.9** | **73.6** |
| **Cash flows from financing activities** | | | | |
| Net proceeds/(repayment) of loans | | 47.2 | (55.9) | (12.2) |
| Principal elements of lease payments | 9 | (118.7) | (127.2) | (134.6) |
| Transactions with non-controlling interests | | 0.5 | 0.3 | – |
| Proceeds from issue of shares | | – | – | 394.3 |
| Proceeds from employee shares exercised | | 0.2 | 1.8 | 1.3 |
| **Net cash from financing activities** | | **(70.8)** | **(181.0)** | **248.8** |
| **Net cash flow before dividends** | | **219.5** | **330.9** | **519.4** |

**Notes:**

1. Net interest and other finance costs paid and received represents the interest paid and received on lease liabilities (as accounted for under AASB 16 *Leases*), the interest paid on the Banking Facilities and other minor finance costs.
2. Depreciation and amortisation represents the non-cash expense captured within EBIT.
3. Other non-cash items represents the impact of non-cash items captured within EBIT including the gain or loss on the sale of assets, share based payments expense and the share of profits of associates and joint ventures accounted for using the equity method.
4. Movement in working capital reflects the net cash impact of the changes in trade and other receivables, inventory, trade and other payables, employee benefits, contract liabilities and other assets and liabilities.
5. Payment for financial assets represents the total amounts paid for equity securities. These securities are not held for trading as they are considered as strategic investments.
6. Proceeds from sale of investments reflects cash received from the disposal of investments held by the Merged Group.
7. Other investing cash flows includes proceeds from sale of subsidiaries net of cash disposed, costs of acquisition of subsidiaries net of cash acquired and distributions from associates.
8. Principal elements of lease receipts represents the principal lease payments received from Franchisees in association with the sub-license of store lease agreements. Refer to Section 4.6.3 for further detail.
9. Principal elements of lease payments represents the principal lease payments associated with the Merged Group's distribution centres, office lease agreements and partially or fully owned stores, and lease payments made on behalf of stores in the Australian Franchise Network.

## 4.5.2. Chemist Warehouse Historical Statements of Cash Flows

Set out in Figure 21] are the Chemist Warehouse Historical Statements of Cash Flows for FY22, FY23 and FY24.

**Figure 21 Chemist Warehouse Historical Statements of Cash Flows**

| $m | Notes | FY22 | FY23 | FY24 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| **EBIT** | | **585.9** | **459.8** | **581.5** |
| Net interest and other finance costs paid and received | 1 | (35.9) | (30.4) | (7.4) |
| Income tax paid | | (132.6) | (189.6) | (82.3) |
| Depreciation and amortisation | 2 | 136.5 | 95.5 | 35.3 |
| Other non-cash items | 3 | (5.3) | (24.7) | (10.8) |
| Movement in working capital | 4 | (264.2) | 134.2 | (243.0) |
| **Net cash from operating activities** | | **284.3** | **444.7** | **273.2** |
| **Cash flows from investing activities** | | | | |
| Net payment for property, plant, equipment and intangibles | | (13.1) | (12.3) | (41.3) |
| Payment for financial assets at fair value through other comprehensive income | 5 | – | (21.0) | (2.9) |
| Proceeds from sale of investments | 6 | – | 60.1 | 4.0 |
| Other investing cash flows | 7 | (4.8) | – | 0.1 |
| Principal elements of lease receipts | 8 | 6.9 | 48.7 | 109.5 |
| **Net cash from investing activities** | | **(11.0)** | **75.5** | **69.4** |
| **Cash flows from financing activities** | | | | |
| Net proceeds/(repayment) of loans | | (7.8) | (40.9) | 67.8 |
| Principal elements of lease payments | 9 | (108.3) | (117.5) | (125.0) |
| Transactions with non-controlling interests | | 0.5 | 0.3 | – |
| **Net cash from financing activities** | | **(115.6)** | **(158.1)** | **(57.1)** |
| **Movement in net cash before dividends** | | **157.7** | **362.1** | **285.4** |
| Dividends paid to members of Chemist Warehouse | | (269.3) | (264.1) | (217.7) |
| Dividends paid to non-controlling interests | | (0.1) | (0.3) | (0.4) |
| **Movement in net cash after dividends** | | **(111.7)** | **97.7** | **67.3** |

**Notes:** Refer to Figure 20 for associated notes.

### 4.5.3. Pro forma adjustments to the Historical Statements of Cash Flows

Set out in Figures 22, 23 and 24 are the pro forma adjustments made to derive the Merged Group Pro Forma Historical Income Statement of Cash Flows for FY22, FY23 and FY24.

**Figure 22 Pro forma adjustments to Chemist Warehouse Historical Statement of Cash Flow – FY24**

| $m | Chemist Warehouse | 1. Acquisition of Sigma | 2. Accounting policy application | 3. Discontinued operations | 4. Transaction costs | 5. Impact of the Transaction | 6. Income tax effect | Merged Group Pro Forma |
|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | | |
| **EBIT** | **581.5** | **7.7** | **(1.2)** | | **24.8** | **(7.4)** | **–** | **605.5** |
| Net interest and other finance costs paid and received | (7.4) | (5.0) | – | | – | (45.9) | – | (58.2) |
| Income tax paid | (82.3) | 0.3 | – | | – | – | 13.9 | (68.2) |
| Depreciation and amortisation | 35.3 | 27.1 | – | | – | 7.4 | – | 69.7 |
| Other non-cash items | (10.8) | 0.9 | – | | – | – | – | (9.9) |
| Movement in working capital | (243.0) | (91.3) | 1.2 | | (8.6) | – | – | (341.8) |
| **Net cash from operating activities** | **273.2** | **(60.3)** | **–** | | **16.2** | **(45.9)** | **13.9** | **197.1** |
| **Cash flows from investing activities** | | | | | | | | |
| Net payment for property, plant, equipment and intangibles | (41.3) | 2.7 | – | | – | – | – | (38.7) |
| Payment for financial assets at fair value through other comprehensive income | (2.9) | – | – | | – | – | – | (2.9) |
| Proceeds from sale of investments | 4.0 | 1.5 | – | | – | – | – | 5.5 |
| Other investing cash flows | 0.1 | – | – | | – | – | – | 0.1 |
| Principal elements of lease receipts | 109.5 | – | – | | – | – | – | 109.5 |
| **Net cash from investing activities** | **69.4** | **4.2** | **–** | | **–** | **–** | **–** | **73.6** |
| **Cash flows from financing activities** | | | | | | | | |
| Net proceeds/ (repayment) of loans | 67.8 | (80.0) | – | | – | – | – | (12.2) |
| Principal elements of lease payments | (125.0) | (9.6) | – | | – | – | – | (134.6) |
| Transactions with non-controlling interests | – | – | – | | – | – | – | – |
| Proceeds from issue of shares | – | 394.3 | – | | – | – | – | 394.3 |
| Proceeds from employee shares exercised | – | 1.3 | – | | – | – | – | 1.3 |
| **Net cash from financing activities** | **(57.1)** | **306.0** | **–** | | **–** | **–** | **–** | **248.8** |
| **Movement in net cash before dividends** | **285.4** | **249.9** | **–** | | **16.2** | **(45.9)** | **13.9** | **519.4** |

### Figure 23 Pro forma adjustments to Chemist Warehouse Historical Statement of Cash Flow – FY23

| $m | Chemist Warehouse | 1. Acquisition of Sigma | 2. Accounting policy application | 3. Discontinued operations | 4. Transaction costs | 5. Impact of the Transaction | 6. Income tax effect | Merged Group Pro Forma |
|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | | |
| **EBIT** | **459.8** | **36.3** | **17.1** | **3.1** | | **(7.4)** | **–** | **508.9** |
| Net interest and other finance costs paid and received | (30.4) | (15.8) | – | – | | (37.6) | – | (83.8) |
| Income tax paid | (189.6) | (5.2) | – | 0.1 | | – | 8.3 | (186.4) |
| Depreciation and amortisation | 95.5 | 29.4 | – | (0.1) | | 7.4 | – | 132.2 |
| Other non-cash items | (24.7) | (6.5) | – | (0.2) | | – | – | (31.5) |
| Movement in working capital | 134.2 | (1.9) | (17.1) | (3.5) | | – | – | 111.6 |
| **Net cash from operating activities** | **444.7** | **36.2** | **–** | **(0.7)** | | **(37.6)** | **8.3** | **451.0** |
| **Cash flows from investing activities** | | | | | | | | |
| Net payment for property, plant, equipment and intangibles | (12.3) | (14.8) | – | – | | – | – | (27.1) |
| Payment for financial assets at fair value through other comprehensive income | (21.0) | – | – | – | | – | – | (21.0) |
| Proceeds from sale of investments | 60.1 | 0.3 | – | – | | – | – | 60.4 |
| Other investing cash flows | – | 0.4 | – | (0.5) | | – | – | (0.1) |
| Principal elements of lease receipts | 48.7 | – | – | – | | – | – | 48.7 |
| **Net cash from investing activities** | **75.5** | **(14.1)** | **–** | **(0.5)** | | **–** | **–** | **60.9** |
| **Cash flows from financing activities** | | | | | | | | |
| Net proceeds/(repayment) of loans | (40.9) | (15.0) | – | – | | – | – | (55.9) |
| Principal elements of lease payments | (117.5) | (9.7) | – | – | | – | – | (127.2) |
| Transactions with non-controlling interests | 0.3 | – | – | – | | – | – | 0.3 |
| Proceeds from issue of shares | – | – | – | – | | – | – | – |
| Proceeds from employee shares exercised | – | 1.8 | – | – | | – | – | 1.8 |
| **Net cash from financing activities** | **(158.1)** | **(22.9)** | **–** | **–** | | **–** | **–** | **(181.0)** |
| **Movement in net cash before dividends** | **362.1** | **(0.8)** | **–** | **(1.2)** | | **(37.6)** | **8.3** | **330.9** |

### Figure 24 Pro forma adjustments to Chemist Warehouse Historical Statement of Cash Flow – FY22

| $m | Chemist Warehouse | 1. Acquisition of Sigma | 2. Accounting policy application | 3. Discontinued operations | 4. Transaction costs | 5. Impact of the Transaction | 6. Income tax effect | Merged Group Pro Forma |
|---|---|---|---|---|---|---|---|---|
| Cash flows from operating activities | | | | | | | | |
| EBIT | 585.9 | 3.3 | 1.4 | 7.8 | | (7.4) | – | 591.1 |
| Net interest and other finance costs paid and received | (35.9) | (11.8) | – | – | | (16.7) | – | (64.5) |
| Income tax paid | (132.6) | (10.8) | – | 0.1 | | – | 6.8 | (136.5) |
| Depreciation and amortisation | 136.5 | 29.6 | – | (0.1) | | 7.4 | – | 173.3 |
| Other non-cash items | (5.3) | 13.8 | – | (7.0) | | – | – | 1.5 |
| Movement in working capital | (264.2) | 30.1 | (1.4) | (1.7) | | – | – | (237.2) |
| **Net cash from operating activities** | **284.3** | **54.2** | **–** | **(1.0)** | | **(16.7)** | **6.8** | **327.6** |
| **Cash flows from investing activities** | | | | | | | | |
| Net payment for property, plant, equipment and intangibles | (13.1) | (25.0) | – | 0.4 | | – | – | (37.6) |
| Payment for financial assets at fair value through other comprehensive income | – | (1.7) | – | – | | – | – | (1.7) |
| Proceeds from sale of investments | – | – | – | – | | – | – | – |
| Other investing cash flows | (4.8) | – | – | – | | – | – | (4.8) |
| Principal elements of lease receipts | 6.9 | – | – | – | | – | – | 6.9 |
| **Net cash from investing activities** | **(11.0)** | **(26.7)** | **–** | **0.4** | | **–** | **–** | **(37.3)** |
| **Cash flows from financing activities** | | | | | | | | |
| Net proceeds/(repayment) of loans | (7.8) | 55.0 | – | – | | – | – | 47.2 |
| Principal elements of lease payments | (108.3) | (10.4) | – | – | | – | – | (118.7) |
| Transactions with non-controlling interests | 0.5 | – | – | – | | – | – | 0.5 |
| Proceeds from issue of shares | – | – | – | – | | – | – | – |
| Proceeds from employee shares exercised | – | 0.2 | – | – | | – | – | 0.2 |
| **Net cash from financing activities** | **(115.6)** | **44.8** | **–** | **–** | | **–** | **–** | **(70.8)** |
| **Movement in net cash before dividends** | **157.7** | **72.3** | **–** | **(0.5)** | | **(16.7)** | **6.8** | **219.5** |

**Notes:**

1. **Acquisition of Sigma:** reflects the acquisition of Sigma as if it had occurred immediately prior to 1 July 2021. This pro forma adjustment includes the actual historical financial information of Sigma on a 31 July financial year end basis as outlined in Section 4.2.2. A reconciliation to the reported results on a 31 January year-end basis is presented at Annexure A.
2. **Accounting policy application:** Reflects the net nil effect of the accounting policy application on cash flows. The application of the accounting policy does not impact the timing of the receipt of cash related to marketing and supplier income. The impact on EBIT is equal to and offset by the increase or reduction in the value of inventory which is reflected within the movement in working capital.
3. **Discontinued operations:** reflects the removal of cash flow from operations associated with Cura and WholeLife Pharmacy businesses which were discontinued by Sigma in December 2022.
4. **Transaction costs:** represents the removal of cash paid for non-recurring transaction costs incurred by Chemist Warehouse and Sigma in association with the Transaction in FY24. These costs include financial advisory, legal, regulatory, accounting, tax and other professional fees and do not relate to the ongoing operations of the Merged Group.
5. **Impact of the Transaction:** Reflects the cash flow impact of the change in capital structure and non-cash amortisation on the Intangible assets. See note 6 below in Figure 7.
6. **Income tax effect:** an effective tax rate of 30% has been assumed for the purposes of determining the income tax effect of the pro forma adjustments reflected in the Merged Group Pro Forma Historical Financial Information. Due to permanent differences that exist, the actual effective tax rate of the Merged Group subsequent to Implementation will likely vary from the 30% tax rate utilised.

## 4.6. Historical Statement of Financial Position

### 4.6.1 Chemist Warehouse and Merged Group Pro Forma Historical Statement of Financial Position

Set out in Figure 25 are the pro forma adjustments made to derive the Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2024.

The Merged Group Pro Forma Historical Statement of Financial Position has been provided for illustrative purposes only and is not represented as being indicative of the Merged Group's view on its future financial position. The pro forma adjustments reflect the effects of the Transaction as if it had occurred on 30 June 2024.

**Figure 25 Chemist Warehouse and Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2024**

| $m | Chemist Warehouse 30 June 2024 | 1. Acquisition of Sigma | 2. Intercompany eliminations | 3. Accounting policy application | 4. Impact of the Transaction | Merged Group Pro Forma 30 June 2024 |
|---|---|---|---|---|---|---|
| **Current assets** | | | | | | |
| Cash and cash equivalents | 273.1 | 234.2 | – | – | (8.6) | 498.6 |
| Trade and other receivables | 695.0 | 589.0 | (89.6) | – | – | 1,194.5 |
| Inventories | 599.9 | 372.7 | – | (12.7) | – | 959.9 |
| Financial assets at amortised cost | 3.8 | – | – | – | – | 3.8 |
| Other current assets | 26.1 | 21.9 | (4.8) | – | – | 43.2 |
| Lease receivables | 118.6 | – | – | – | – | 118.6 |
| Current tax assets | – | 5.6 | – | – | – | 5.6 |
| **Total current assets** | **1,716.6** | **1,223.4** | **(94.4)** | **(12.7)** | **(8.6)** | **2,824.4** |
| **Non current assets** | | | | | | |
| Trade and other receivables | – | 10.8 | – | – | – | 10.8 |
| Investments accounted for using the equity method | 45.0 | – | – | – | – | 45.0 |
| Financial assets at amortised cost | 9.7 | – | – | – | – | 9.7 |
| Financial assets at fair value through other comprehensive income | 59.5 | 15.7 | (9.7) | – | – | 65.4 |
| Financial assets at fair value through profit or loss | 2.3 | – | – | – | – | 2.3 |
| Property, plant and equipment | 73.1 | 183.9 | – | – | – | 256.9 |
| Right-of-use assets | 113.0 | 83.9 | – | – | 53.8 | 250.7 |
| Goodwill | – | 99.9 | – | – | 3,111.3 | 3,211.1 |
| Intangible assets | 13.3 | 9.5 | – | – | 180.1 | 203.0 |
| Deferred tax assets | 87.3 | 56.9 | – | 3.8 | – | 148.0 |
| Lease receivables | 741.8 | – | – | – | – | 741.8 |
| Other non-current assets | – | 18.8 | (19.2) | – | – | (0.4) |
| **Total non-current assets** | **1,145.0** | **479.4** | **(28.9)** | **3.8** | **3,345.1** | **4,944.4** |
| **Total assets** | **2,861.6** | **1,702.8** | **(123.3)** | **(8.9)** | **3,336.5** | **7,768.7** |

| $m | Chemist Warehouse 30 June 2024 | 1. Acquisition of Sigma | 2. Intercompany eliminations | 3. Accounting policy application | 4. Impact of the Transaction | Merged Group Pro Forma 30 June 2024 |
|---|---|---|---|---|---|---|
| **Current liabilities** | | | | | | |
| Trade and other payables | 745.8 | 675.4 | (113.6) | – | (8.6) | 1,299.0 |
| Contract liabilities | 29.5 | 0.7 | – | – | – | 30.2 |
| Financial liabilities at amortised cost | 32.8 | – | – | – | – | 32.8 |
| Lease liabilities | 131.3 | 13.3 | – | – | – | 144.7 |
| Current tax liabilities | 2.8 | – | – | – | – | 2.8 |
| Provisions | 25.9 | 10.1 | – | – | – | 36.0 |
| Other current liabilities | – | 2.0 | – | – | – | 2.0 |
| **Total current liabilities** | **968.1** | **701.5** | **(113.6)** | **–** | **(8.6)** | **1,547.4** |
| **Non-current liabilities** | | | | | | |
| Other liabilities | 5.3 | – | – | – | – | 5.3 |
| Financial liabilities at amortised cost | 300.0 | – | – | – | 769.0 | 1,069.0 |
| Lease liabilities | 849.6 | 124.3 | – | – | – | 973.9 |
| Deferred tax liabilities | – | – | – | – | 57.1 | 57.1 |
| Provisions | 21.7 | 5.2 | – | – | – | 26.9 |
| **Total non-current liabilities** | **1,176.6** | **129.5** | **–** | **–** | **826.1** | **2,132.2** |
| **Total liabilities** | **2,144.7** | **831.0** | **(113.6)** | **–** | **817.5** | **3,679.6** |
| **Net assets** | **716.9** | **871.7** | **(9.7)** | **(8.9)** | **2,519.1** | **4,089.1** |
| **Equity** | | | | | | |
| Issued capital | 553.7 | 1,638.4 | (9.7) | – | 1,806.6 | 3,988.9 |
| Reserves | (54.2) | 5.3 | – | – | (5.3) | (54.2) |
| Retained profits/(Accumulated losses) | 222.9 | (773.7) | – | (8.9) | 717.8 | 158.1 |
| **Equity attributable to the owners of the Merged Group** | **722.4** | **870.0** | **(9.7)** | **(8.9)** | **2,519.1** | **4,092.8** |
| Non-controlling interests | (5.5) | 1.8 | – | – | – | (3.8) |
| **Total equity** | **716.9** | **871.7** | **(9.7)** | **(8.9)** | **2,519.1** | **4,089.1** |

**Notes:**

1. **Acquisition of Sigma:** the pro forma adjustment reflects the reverse acquisition of Sigma by Chemist Warehouse and includes the Sigma statement of financial position as at 31 July 2024.
2. **Intercompany eliminations:** reflects the elimination of balances owing to or from Chemist Warehouse and Sigma as at 30 June 2024. Additionally includes the elimination of Chemist Warehouse's existing investment in Sigma.
3. **Accounting policy application:** reflects the accounting policy application on the balance sheet. Following Implementation, all sales currently from Sigma to the Chemist Warehouse Australian Franchise Network will instead become sales from the Merged Group to the Chemist Warehouse Australian Franchise Network. This will have an accounting impact whereby supplier income which is currently recognised as revenue in the Chemist Warehouse Historical Income Statements will instead be recognised as a reduction to the cost of inventory in the Merged Group Pro Forma Historical Statement of Financial Position. This pro forma adjustment reduces the value of inventory.
4. **Impact of the Transaction:** reflects the net impact of the following adjustments:
   - **Acquisition accounting:** reflects the recognition of $3,211.1 million of goodwill together with estimated incremental fair value attributable to right-of-use assets and intangible assets as a result of Chemist Warehouse acquiring Sigma under reverse acquisition accounting principles. The goodwill balance has been calculated as the difference between Sigma's market capitalisation at 8 November 2024 and the estimated fair value of Sigma's net assets at 31 July 2024. Refer to Section 4.2.6 for details regarding the underlying calculation.
   - **Capital structure:** Sigma has agreed Banking Facilities in order to fund the acquisition of Chemist Warehouse. On a pro forma basis, a $780.5 million debt draw down is assumed to fund the $700 million payment from Sigma to Chemist Warehouse Shareholders and $80.5 million of transaction costs estimated to be incurred in FY25. The $8.6 million of transaction costs accrued at 30 June 2024 are not included in the debt draw down and are instead adjusted as a reduction to cash.
   - **Transaction costs:** represents the estimated non-recurring transaction costs of approximately $80.5 million expected to be incurred by the Merged Group in respect of the Transaction and the establishment of the Banking Facilities on Implementation in FY25. The $11.5 million of costs directly attributable to the establishment of the Banking Facilities have been capitalised against the value of the loan.
   - **Deferred tax:** A deferred tax asset adjustment is recognised to reflect the income tax benefit of the future deductibility of transaction costs and a deferred tax liability is recognised in respect of the incremental fair value attributable to right-of-use assets and intangible assets of Sigma.

### 4.6.2 Net Cash/(Debt)

The Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2024 has been adjusted to reflect the impact of the Transaction and Banking Facilities as if they took place on that date. As such the pro forma net cash/(debt) as at 30 June 2024 does not reflect the various anticipated cash requirements of the Merged Group between 30 June 2024 and the Implementation Date.

Merged Group net cash/(debt) as at the Implementation Date is estimated to be in the range of $(1.0) billion to $(1.3) billion. This is greater than the pro forma balance as at 30 June 2024 due to:

- the expectation that the working capital requirement of Sigma, including trade receivables, will continue to increase as a result of the new Sigma Supply Agreement, in addition to typical seasonal movement in sales and working capital balances of both businesses; and
- the cash flows generated from the operation of the Chemist Warehouse and Sigma businesses between 30 June 2024 and the Implementation Date less any dividends paid by Chemist Warehouse or Sigma (as applicable) during this period.

Figure 26 sets out the net cash/(debt) of the Merged Group as at 30 June 2024.

**Figure 26 Net Cash/(Debt)**

| $m | Chemist Warehouse as at 30 June 2024 | Merged Group Pro Forma as at 30 June 2024 |
|---|---|---|
| Cash and cash equivalents | 273.1 | 498.6 |
| Financial liabilities at amortised cost – current | (32.8) | (32.8) |
| Financial liabilities at amortised cost – non-current | (300.0) | (1,069.0) |
| **Net cash/(debt)** | **(59.7)** | **(603.1)** |

Refer to Section 9.9 for further details on the Banking Facilities.

### 4.6.3 Merged Group Lease Commitments

The Merged Group enters lease arrangements in relation to its distribution centres, company owned stores and offices (principal leases). For the majority of their franchise stores, Chemist Warehouse also holds the head premise lease whereby it sub-licenses the premises to the franchisees by way of an occupancy license (franchisee leases). In accordance with AASB 16 *Leases*, Chemist Warehouse recognises the lease liabilities related to both the principal and franchisee leases, with right-of-use assets recognised for principal leases and finance lease receivables recognised for franchisee leases.

Figure 27 includes both interest and principal cash flows disclosed as remaining lease commitments and therefore these totals may differ from their carrying amount in the statement of financial position.

**Figure 27 Lease Commitments by Duration as at 30 June 2024**

| $m | 1 year or less | Between 1 and 5 years | Over 5 years | Total |
|---|---|---|---|---|
| Lease commitments | 141.2 | 678.9 | 483.7 | 1,303.8 |

### 4.6.4 Store Equipment and Fit-out Leases and Loans

Chemist Warehouse is planning to enter into arrangements with a number of existing stores in the Chemist Warehouse Australian Franchise Network to refinance some of their establishment, expansion or relocation costs. The refinancing will result in a combination of loan agreements and equipment & fit-out lease agreements between the Merged Group and the stores in the Chemist Warehouse Australian Franchise Network. Based on the position at 30 June 2024, it is estimated to result in a cash outflow from the Merged Group of up to $100.0 million during FY25, some of which has already been incurred.

## 4.7. Management Discussion and Analysis of the Merged Group Pro Forma Historical Income Statement

This Section 4.7 includes a discussion of the key factors which affected the Merged Group's pro forma operating and financial performance over FY22, FY23 and FY24. The discussion of these factors is intended to provide a summary only and does not detail all drivers that have affected the Merged Group's pro forma historical operating and financial performance.

The information in this Section 4.7 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus. As this Section 4.7 is intended to discuss the pro forma operating and financial performance of the Merged Group, unless expressly indicated, the statements discuss the Merged Group as a whole and may not necessarily be true of Sigma or Chemist Warehouse on a standalone basis in the relevant financial periods discussed.

### Figure 28 Merged Group Pro Forma Historical Income Statement Breakdown

| | Chemist Warehouse | | | Sigma | | | Pro forma adjustments | | | Merged Group | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **$m** | **FY22** | **FY23** | **FY24** | **FY22** | **FY23** | **FY24** | **FY22** | **FY23** | **FY24** | **FY22** | **FY23** | **FY24** |
| Revenue | 2,992.9 | 3,090.7 | 3,294.4 | 3,569.9 | 3,526.2 | 3,496.6 | (127.0) | (130.7) | (135.4) | 6,435.8 | 6,486.2 | 6,655.7 |
| Cost of sales | (1,920.6) | (2,173.0) | (2,251.5) | (3,309.1) | (3,284.5) | (3,263.0) | 169.7 | 186.4 | 171.1 | (5,060.0) | (5,271.1) | (5,343.4) |
| **Gross profit** | **1,072.4** | **917.7** | **1,043.0** | **260.8** | **241.7** | **233.6** | **42.6** | **55.7** | **35.7** | **1,375.8** | **1,215.1** | **1,312.3** |
| Share of profits of associates and joint ventures accounted for using the equity method | 8.2 | 13.0 | 23.1 | – | – | – | – | – | – | 8.2 | 13.0 | 23.1 |
| Other income | 3.2 | 18.0 | 5.8 | 77.6 | 95.4 | 76.3 | (47.4) | (42.2) | (36.9) | 33.4 | 71.2 | 45.2 |
| **Operating expenses** | | | | | | | | | | | | |
| Warehousing and distribution expenses | (178.3) | (175.6) | (148.9) | (174.8) | (172.9) | (153.4) | 11.4 | 5.6 | – | (341.7) | (342.8) | (302.4) |
| Marketing and sales expenses | (63.5) | (77.3) | (88.3) | (52.1) | (46.2) | (44.0) | 2.3 | 1.0 | – | (113.3) | (122.4) | (132.3) |
| Administration and general expenses | (255.9) | (236.1) | (253.1) | (108.2) | (81.7) | (104.8) | (7.2) | (7.3) | 17.4 | (371.3) | (325.1) | (340.5) |
| **Operating expenses** | **(497.8)** | **(489.0)** | **(490.3)** | **(335.1)** | **(300.8)** | **(302.2)** | **6.6** | **(0.6)** | **17.4** | **(826.3)** | **(790.4)** | **(775.1)** |
| **EBIT** | **585.9** | **459.8** | **581.5** | **3.3** | **36.3** | **7.7** | **1.9** | **12.9** | **16.3** | **591.1** | **508.9** | **605.5** |
| Net finance costs | (35.9) | (30.4) | (7.4) | (11.8) | (15.8) | (5.0) | (16.7) | (37.6) | (45.9) | (64.5) | (83.8) | (58.2) |
| **Profit before income tax expense** | **550.0** | **429.4** | **574.1** | **(8.5)** | **20.5** | **2.7** | **(14.9)** | **(24.7)** | **(29.6)** | **526.6** | **425.1** | **547.3** |
| Income tax expense | (165.0) | (126.9) | (34.5) | 2.2 | (4.9) | (4.9) | 6.9 | 8.4 | 13.9 | (156.0) | (123.4) | (25.5) |
| **Profit after income tax expense** | **385.0** | **302.5** | **539.7** | **(6.4)** | **15.5** | **(2.1)** | **(8.0)** | **(16.3)** | **(15.7)** | **370.7** | **301.7** | **521.8** |

### 4.7.1. Change in Chemist Warehouse commercial arrangements

In February 2023, Chemist Warehouse implemented changes to the structure of its commercial arrangements with its franchisees. In each period, these changes have been recorded in the income statement consistently with the arrangements at that time. These changes are estimated to have had no impact on Chemist Warehouse profit before income tax however, do impact comparability of individual income statement line items. The Merged Group Pro Forma Historical Financial Information has not been adjusted for this event.

**Figure 29 Financial impact of the change in Chemist Warehouse commercial arrangements to FY22 and FY23.**

| $m | Note | FY22 (12 months of previous commercial arrangements) | FY23 (7 months of previous commercial arrangements and 5 months current terms) | FY24 (full 12 months under current commercial arrangements) |
|---|---|---|---|---|
| Revenue | 1 | (136.1) | (87.5) | – |
| Cost of sales | | – | – | – |
| **Gross profit** | | **(136.1)** | **(87.5)** | **–** |
| Operating expenses | 2 | 107.8 | 67.0 | – |
| **EBIT** | **3** | **(28.3)** | **(20.5)** | **–** |
| Net finance costs | 4 | 28.3 | 20.5 | – |
| **Profit before income tax expense** | **5** | **–** | **–** | **–** |
| Income tax expense | | – | – | – |
| **Profit after income tax expense** | | **–** | **–** | **–** |

**Notes:**

1. **Revenue:** There is a net reduction to revenue under the current commercial arrangements compared to those in place prior to February 2023. This is principally due lower wholesale pricing which is only partially offset by higher franchise and related fees and other changes to revenue composition. Had the current commercial arrangements been in place throughout FY22 and FY23 then revenue in these years is estimated to have been lower by $136.1 million and $87.5 million respectively.
2. **Operating expenses:** Chemist Warehouse incurred depreciation on the right-of-use asset recognised in respect of Chemist Warehouse Australian Franchise Network store leases under the previous commercial arrangements of $107.8 million and $67.0 million in FY22 and FY23 respectively. No such depreciation expense is incurred following the change in commercial arrangements.
3. **EBIT:** EBIT is estimated to be lower under the current commercial arrangements when compared to the previous commercial arrangements (as previously the finance expense in relation to AASB 16 *Leases* was reported below EBIT). Had the current commercial arrangements been in place throughout FY22 and FY23 then EBIT in these years is estimated to have been lower by $28.3 million and $20.5 million respectively.
4. **Net finance costs:** Under the current commercial arrangements, rent costs of stores in the Chemist Warehouse Australian Franchise Network are borne by Chemist Warehouse franchisees. Previously these were incurred by Chemist Warehouse. As such the net finance cost incurred in relation to AASB 16 *Leases* has reduced.
5. **Profit before income tax expense:** The change in commercial arrangements are estimated to have had no impact on Chemist Warehouse profit before income tax expense.

### 4.7.2. Revenue

Merged Group revenue is primarily made up of the wholesale sale of goods to stores in the Australian Franchise Network and independent pharmacies together with retail sales generated by Merged Group wholly and partially owned stores in Australia and Ireland and stores operated in China through services agreements with local companies. Merged Group revenue also includes franchise and related fees, marketing, advertising and other revenue. A breakdown of Merged Group revenue is included as Figure 30.

### 4.7.2.1. Merged Group Revenue

**Figure 30 Merged Group Pro Forma Historical Revenue**

| $m | Note | FY22 | FY23 | FY24 | % of total in FY24 |
|---|---|---|---|---|---|
| Sale of goods | 1 | 5,730.5 | 5,768.6 | 5,955.5 | 89.5% |
| Other revenue | 2 | 705.3 | 717.6 | 700.2 | 10.5% |
| **Merged Group Pro Forma revenue** | | **6,435.8** | **6,486.2** | **6,655.7** | **100.0%** |

**Notes:**

1. **Sale of goods:** consists of wholesale sales delivered from distribution centres to stores in the Australian Franchise Network and independent pharmacies and retail sales in Merged Group wholly and partially owned stores in Australia and Ireland and stores operated in China through services agreements with local companies.
2. **Other revenue:** which includes
   - Franchise and related fees
   - Fees revenue: includes agent fees earned for wholesale sales directly delivered by suppliers where the Merged Group acts as an agent.
   - Marketing advertising and other: consists of fees generated from suppliers for the promotion and advertising of their products and other supplier income.

Merged Group revenue increased by $50.3 million (0.8%) from $6,435.8 million in FY22 to $6,486.2 million in FY23 driven by:

- Revenue from the sale of goods increasing by $38.0 million (0.7%) due to the following factors:
  - a $1,062.2 million (15.6%) increase in total Chemist Warehouse Retail Network Sales which is a driver of Merged Group revenue as stores in the Chemist Warehouse Australian Franchise Network typically purchase inventory from the Merged Group (refer to Section 4.7.2.2 for further information);
  - wholesale sales to independent pharmacies by Sigma were lower in FY23 compared to FY22. This was due to FY22 including higher sales of COVID-19 related products, including rapid antigen tests, masks and anti-viral medicines;
  - in February 2023, Chemist Warehouse implemented certain changes to its commercial arrangements with its franchisees. Details of these changes and their financial impact are detailed above in Section 4.7.1. The net impact to Merged Group was a reduction in revenue (both sale of goods and other revenue) in FY23 relative to FY22 of $48.6 million. This did not have any impact on Chemist Warehouse Australian Franchise Network sales;
  - Sigma wholesale sales were negatively impacted by the brand consolidation process which began in September 2022, which included the closure of the Guardian Brand. In addition, Sigma has now ceased offering the PharmaSave brand to new members. Between June 2022 and June 2023, there was a reduction of 65 stores operating under the Guardian and PharmaSave brands, which was partially offset by some franchisees switching to the Amcal or Discount Drug Stores franchise brands; and
  - in March 2023, Sigma disposed of certain hospital operations and assets to Clifford Hallam Healthcare Limited. As a result, Sigma ceased wholesale sales into the hospital sector which generated revenue of $336.6 million and $301.8 million in FY22 and FY23 respectively. The reduction in revenue in FY23 relative to FY22 of $34.8 million was due to the impact of the disposal.
- Other revenue increased by $12.3 million (1.7%) from $705.3 million in FY22 to $717.6 million in FY23. This increase was driven by an increase in the number of stores in the Chemist Warehouse Australian Franchise Network partially offset by the impact of the change in Chemist Warehouse's commercial arrangements in February 2023.

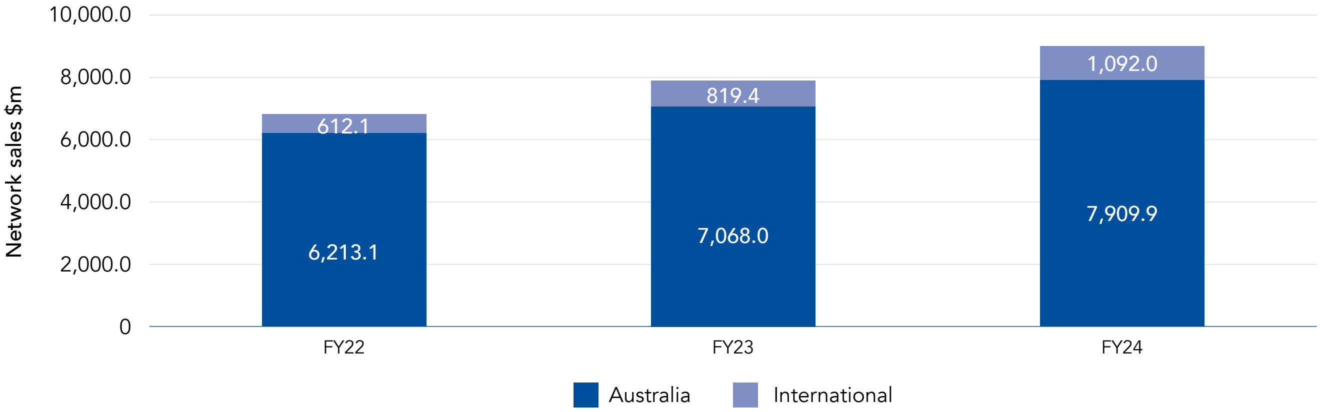
Merged Group revenue increased by $169.5 million (2.6%) from $6,486.2 million in FY23 to $6,655.7 million in FY24 driven by:

- Revenue from the sale of goods increasing by $186.9 million (3.2%) due to the following factors:
  - a $1,114.5 million (14.1%) increase in total Chemist Warehouse Retail Network Sales which is a driver of Merged Group revenue as stores in the Chemist Warehouse Australian Franchise Network typically purchase inventory from the Merged Group (refer to Section 4.7.2.2 for further information);
  - the full year impact of the change in Chemist Warehouse commercial arrangements with its franchisees. Details of these changes and their financial impact are detailed in Section 4.7.1. The net impact to the Merged Group was a reduction in revenue (both sale of goods and other revenue) in FY24 relative to FY23 of $87.5 million;
  - Sigma wholesale sales were negatively impacted by the continued impact of the Sigma brand consolidation process. Between June 2023 and June 2024 there was a reduction of 85 stores operating under the Guardian and PharmaSave brands; and
  - the full year impact of the disposal of certain hospital operations and assets to Clifford Hallam Healthcare Limited. Sigma wholesale sales were $301.8 million in FY23 and nil in FY24.
- Other revenue decreased by $17.4 million (2.4%) from $717.6 million in FY23 to $700.2 million in FY24. This was largely due to the full year impact of the change in Chemist Warehouse's commercial arrangements in February 2023. This change more than offset the underlying growth in franchise and related fees and fees revenue in FY24 attributable to the continuing increases in both the size of the Chemist Warehouse Retail Network and wholesale sales volumes respectively.

### 4.7.2.2. Chemist Warehouse Retail Network Sales

Stores in the Merged Group's Australian Franchise Network are not owned or controlled by the Merged Group and therefore the Merged Group income statement does not include the sales or costs of these stores. However, the underlying performance of stores in the Chemist Warehouse Retail Network is a driver of Merged Group sale of goods revenue as stores in the Chemist Warehouse Australian Franchise Network typically purchase inventory from the Merged Group.

**Figure 31: Chemist Warehouse Retail Network Sales by Region**




Total Chemist Warehouse Retail Network Sales increased by $1,062.2 million (15.6%) from $6,825.2 million in FY22 to $7,887.4 million in FY23. This was driven by the following factors:

- Australian Like-For-Like Chemist Warehouse Retail Network sales growth of 11.8% in FY23 reflecting strong performance of stores in the Chemist Warehouse Australian Franchise Network. This is attributed to a combination of growth in the Australian pharmacy market and the Chemist Warehouse value proposition resonating with more customers;
- positive Like-For-Like Chemist Warehouse Australian Franchise Network sales growth was achieved despite FY22 Chemist Warehouse Australian Franchise Network sales benefitting from strong sales of COVID-19 related products, including rapid antigen tests, masks and anti-viral medicines. Customer demand for these items decreased significantly in FY23 which provided a headwind for Chemist Warehouse Australian Franchise Network sales during that year;
- a net increase of 19 stores in the Chemist Warehouse Australian Franchise Network;
- international Like-For-Like Chemist Warehouse Retail Network Sales growth was 21.5% in FY23 with strong growth achieved in each of the New Zealand, China and Ireland networks as the stores and operations matured; and
- the international Chemist Warehouse Retail Network increased in size by 10 stores between June 2022 and June 2023, 7 of which were in New Zealand.

Total Chemist Warehouse Retail Network Sales increased by $1,114.4 million (14.1%) from $7,887.4 million in FY23 to $9,001.9 million in FY24 This was driven by the following factors:

- Australian Like-For-Like Chemist Warehouse Retail Network sales growth of 9.8% in FY24 which was achieved despite the initial impact of the 60 day dispensing rollout;
- a net increase of 19 stores in the Chemist Warehouse Australian Franchise Network;
- international Like-For-Like Chemist Warehouse Retail Network Sales growth of 14.4% in FY23 reflecting continued momentum in international markets as performance continues to improve; and
- the international Chemist Warehouse Retail Network increased in size by 16 stores between June 2023 and June 2024. 8 new stores were opened in New Zealand, 4 in Ireland and 4 in China.

### 4.7.3. Cost of sales

**Figure 32 Cost of sales**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| Cost of sales | 5,060.0 | 5,271.1 | 5,343.4 |
| *As % of revenue* | *78.6%* | *81.3%* | *80.3%* |

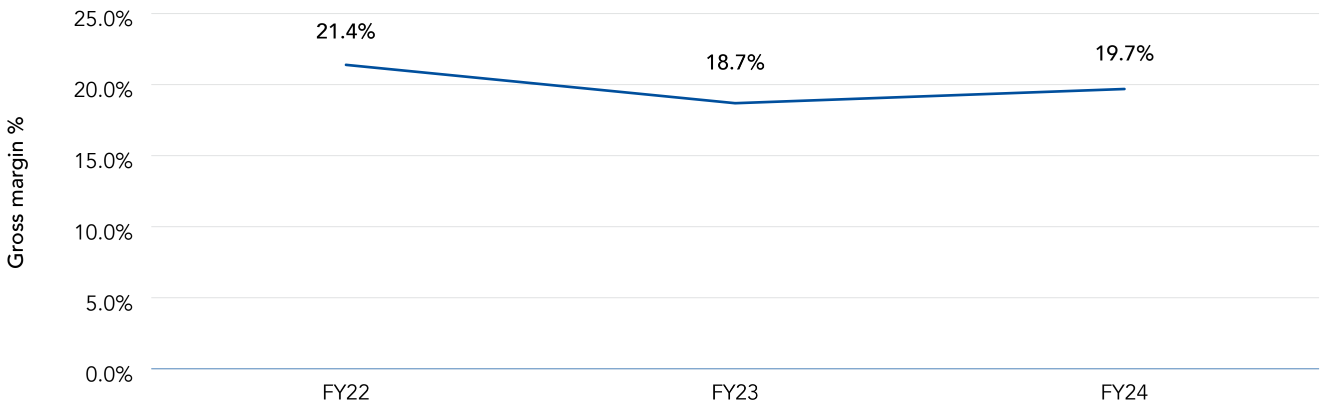
Cost of sales increased by 4.2% in FY23 and 1.4% in FY24 primarily driven by Merged Group revenue growth during this period. Cost of sales as percentage of revenue increased by 2.7% from FY22 to FY23 before reducing by 1.0% from FY23 to FY24. This was driven by the same factors as described in Section 4.7.4 relating to gross profit.

Certain supplier payments made to the Merged Group which are not distinct from the Merged Group's acquisition of goods from those suppliers are recognised as a reduction to the cost of inventory (cost of sales) rather than as revenue. Supplier payments to the Merged Group recognised as a reduction to cost of sales have increased from $316.6 million in FY22 to $383.1 million in FY23 and to $400.0 million in FY24, which is driven by the growth in the Merged Group business during this period.

### 4.7.4. Gross profit

Merged Group gross profit decreased by $160.7 million (11.7%) from $1,375.8 million in FY22 to $1,215.1 million in FY23. Merged Group gross profit increased by $97.2 million (8.0%) from $1,215.1 million in FY23 to $1,312.3 million in FY24.

**Figure 33: Gross profit margin (%)**




Gross profit margin (%) reduced to 18.7% in FY23 from 21.4% in FY22. This was the result of the following factors:

- FY22 included a greater volume of COVID-19 related products such as rapid antigen tests, masks, and anti-viral medicines on which the Merged Group generated a higher wholesale gross profit margin (%);
- the change in Chemist Warehouse commercial arrangements from February 2023 as described in Section 4.7.1; and
- inflationary pressures on the purchase cost of wholesale inventory.

Gross profit margin (%) increased from 18.7% in FY23 to 19.7% in FY24. This was the result of the following factors:

- discontinuation of wholesale sales into the hospital sector in FY24 on which the Merged Group generated a relatively lower gross profit margin in FY23;
- increase in marketing related supplier income; partially offset by
- the full year impact of the change in Chemist Warehouse commercial arrangements described in Section 4.7.1; and
- sales volume growth of PBS medicines which are higher value but generate a lower average wholesale gross profit margin (%).

### 4.7.5. Other income

**Figure 34 Other income**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| Other income | 33.4 | 71.2 | 45.2 |

Other income largely relates to Sigma's Medical Packaging Services and Nostra Data businesses as well as other investment and sundry income.

Other income of $71.2 million in FY23 is $25.9 million higher than FY24 partly due to the following:

- a one-off gain of $10.1 million relating to the change in leasing arrangements under Chemist Warehouse's revised commercial arrangements described in Section 4.7.1; and
- a one-off gain of $8.8 million relating to the sale of certain hospital operations and assets to Clifford Hallam Healthcare Limited.

### 4.7.6. Share of profits of associates and joint ventures accounted for using the equity method

**Figure 35 Share of profits of associates and joint ventures accounted for using the equity method**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| Share of profits of associates and joint ventures accounted for using the equity method | 8.2 | 13.0 | 23.1 |

The Merged Group will have an economic interest in the Chemist Warehouse branded Retail Network stores in New Zealand. Under Accounting Standards the results of these New Zealand stores are accounted for using the equity method whereby the Merged Group recognises a share of post-acquisition profits or losses of the investee as 'share of profits of associates and joint ventures accounted for using the equity method'. Whilst predominantly relating to the New Zealand Retail Network, certain other investments of the Merged Group are also recognised under the same accounting approach and are reported within this line item.

The retail sales of the New Zealand Retail Network are not consolidated within Merged Group revenue. However, the Merged Group will separately generate revenue from the wholesale supply of goods to the New Zealand Retail Network and earns other revenue relating to services provided to the New Zealand Retail Network. This income and cost are included in the relevant Merged Group income statement caption and not included within the 'share of profits of associates and joint ventures accounted for using the equity method'.

The share of profit of associates and joint ventures accounted for the using equity method increased by $4.8 million (59.3%) from $8.2 million in FY22 to $13.0 million in FY23. This growth was principally driven by the increase in the size of the New Zealand Retail Network (7 new stores opened in FY23) and Like-For-Like Retail Network Sales Growth of 18.9% in FY23.

The share of profit of associates and joint ventures accounted for using the equity method increased by $10.1 million (76.9%) from $13.0 million in FY23 to $23.1 million in FY24. This growth was principally driven by the increase in the size of the New Zealand Retail Network (8 new stores opened in FY24) and Like-For-Like Retail Network Sales Growth in New Zealand of 17.6% in FY24.

### 4.7.7. Warehousing and Distribution expenses

**Figure 36: Warehousing and distribution expenses**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| Warehousing and distribution expenses | 341.7 | 342.8 | 302.4 |
| *As % of revenue* | *5.3%* | *5.3%* | *4.5%* |

Warehousing and distribution expenses include employee costs for distribution centre staff, freight costs related to delivering goods to the Retail Network and online customer orders (net of income received), independent pharmacies and online customers and depreciation and amortisation of warehouse assets. The income from Sigma's third-party logistics operations which principally includes rental income for the utilisation of spare capacity at Sigma distribution centres is net off against the costs within this line.

As a percentage of revenue, Merged Group warehousing and distribution expenses remained stable at 5.3% in FY22 and FY23 before decreasing to 4.5% in FY24.

An increased reliance on contract labour and agency staff to operate distribution centres in FY22 and FY23, resulted in elevated employee costs in these periods. The lower reliance on these employees in FY24 plus improved operating leverage contributed to the reduction in warehouse and distribution expenses as a percentage of revenue.

The full-year impact of the change in Chemist Warehouse's online strategy from March 2023 to charge customers flat-rate shipping was a key reason for a decrease of approximately $16.0 million in freight costs relating to the Chemist Warehouse online business in FY24 compared to FY23.

Sigma's distribution centre investment and optimisation program has generated meaningful productivity gains from automation, supporting period-on-period reductions in employee costs reported within warehousing and distribution expenses between FY22 and FY24.

### 4.7.8. Marketing and sales expenses

**Figure 37: Marketing and sales expenses**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| Marketing and sales expenses | 113.3 | 122.4 | 132.3 |
| *As % of revenue* | *1.8%* | *1.9%* | *2.0%* |

Marketing and sales expenses principally includes employee costs and advertising and promotion costs.

As a percentage of revenue, Merged Group marketing and sales expenses increased slightly over the historical period being 1.8% of revenue in FY22, 1.9% of revenue in FY23 and 2.0% of revenue in FY24.

The small increase in each period largely reflects additional employee costs related to the continuing expansion of the Chemist Warehouse Retail Network domestically and in international markets, plus general wage and headcount growth across the Merged Group.

### 4.7.9. Administration and general expenses

**Figure 38: Administration and general expenses**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| Administration and general expenses | 371.3 | 325.1 | 340.5 |
| *As % of revenue* | *5.8%* | *5.0%* | *5.1%* |

Administration and general expenses primarily include head office employee costs, administrative costs, consultant fees for key operating projects and depreciation and amortisation.

In FY23 administration and general expenses decreased by $46.1 million compared to FY22 reflecting a 0.8% reduction as a percentage of revenue from 5.8% in FY22 to 5.0% in FY23. The decrease was principally driven by:

- the change in Chemist Warehouse's commercial arrangements in February 2023 with right-of-use asset depreciation expense decreasing by $40.9 million in FY23 mostly due to the associated change in leasing arrangements. Refer to Section 4.7.1 for further details;
- elevated FY22 administration and general expenses due to $18.1 million of software development costs expensed related to the implementation of Sigma's new ERP system which were not repeated in FY23; partially offset by
- an increase in employee costs due to general headcount growth and consultant and professional fees for various operational projects.

In FY24 administration and general expenses increased by $15.3 million compared to FY23 reflecting a 0.1% increase as a percentage of revenue from 5.0% in FY23 to 5.1% in FY24. The increase was principally driven by:

- the increase in employee costs due to general headcount and salary growth in Chemist Warehouse as well as higher consultant and professional fees for various ongoing IT projects, in addition to the increase of multiple small other costs;
- Chemist Warehouse incurring $12.0 million in one-off share-based-payments expense within administration and general expenses in FY24. The total share-based payments expense in FY24 for Chemist Warehouse was $15.5 million including amounts reported within marketing and sales expenses and administration and general expenses. $14.7 million of this share-based payments expense was one off and was not similarly incurred in FY23; and
- these increases were partially offset by the $66.6 million decrease in Chemist Warehouse right-of-use asset depreciation expense within administration and general expense from FY23 to FY24 mostly due to the full 12-month impact of the change in Chemist Warehouse commercial arrangements described in Section 4.7.1.

### 4.7.10. Depreciation and amortisation

**Figure 39: Depreciation and amortisation**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| Depreciation – right of use assets | 136.2 | 95.5 | 29.4 |
| Depreciation – property, plant and equipment | 26.0 | 25.4 | 29.4 |
| Amortisation | 11.1 | 11.3 | 10.9 |
| **Depreciation and amortisation** | **173.3** | **132.2** | **69.7** |

Depreciation and amortisation set out above is presented separately for information purposes. These amounts are reported within operating expenses in the Merged Group Pro Forma Historical Income Statements and not shown separately.

Depreciation – right of use assets decreased by $40.7 million in FY23 and by $66.1 million in FY24. The reduction in depreciation – right of use assets in FY23 and FY24 is largely due to the change in Chemist Warehouse commercial arrangements in February 2023 described in Section 4.7.1. Under the change, Chemist Warehouse derecognised the right-of-use assets related to Chemist Warehouse Australian Franchise Network store leases and recognised a lease receivable (as Chemist Warehouse remains the head lessor of the Australian Franchise Network).

### 4.7.11. EBIT

**Figure 40 EBIT and EBIT Margin (%)**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| EBIT | 591.1 | 508.9 | 605.5 |
| EBIT Margin (%) | 9.2% | 7.8% | 9.1% |

Merged Group EBIT declined from $591.1 million in FY22 to $508.9 million in FY23 due to a reduction in gross profit partially offset by higher other income and reduced administration and general expenses for the reasons explained above.

Merged Group EBIT Margin (%) fell from 9.2% in FY22 to 7.8% in FY23 primarily due to a higher gross profit margin (%) earned on sales of COVID-19 products in FY22.

Merged Group EBIT increased from $508.9 million in FY23 to $605.5 million in FY24 due to an increase in gross profit and reduced warehouse and distribution expenses partially offset by lower other income.

Merged Group EBIT Margin (%) increased from 7.8% in FY23 to 9.1% in FY24 due to a higher gross profit margin (%) and a reduction in warehouse and distribution expenses as a percentage of revenue.

### 4.7.12. Finance income and costs

**Figure 41: Net finance costs**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| **Finance income** | | | |
| Other finance income | 0.2 | 5.9 | 20.1 |
| Finance income from leases under AASB 16 *Leases* | 3.9 | 18.4 | 44.9 |
| **Total finance income** | **4.1** | **24.3** | **65.0** |
| **Finance costs** | | | |
| Finance costs from borrowings | (26.2) | (57.7) | (66.7) |
| Finance costs from leases under AASB 16 *Leases* | (41.8) | (50.4) | (56.6) |
| Other finance costs | (0.5) | – | – |
| **Total finance costs** | **(68.6)** | **(108.1)** | **(123.3)** |
| **Net finance costs** | **(64.5)** | **(83.8)** | **(58.2)** |

Finance income increased from $4.1 million in FY22 to $24.3 million in FY23 to $65.0 million in FY24. This is the result of the following factors:

- in January 2024, Sigma completed its pro-rata accelerated non-renounceable entitlement offer and raised $394.3 million (net of offer costs). This increased the cash balance with higher interest income earned in FY24 as a result; and
- finance income from leases under AASB 16 *Leases* has increased over the historical period principally due to the change in leasing arrangements under the current Chemist Warehouse commercial arrangements. While Chemist Warehouse has historically been and remains the head lessor on the majority of stores in the Chemist Warehouse Australian Franchise Network and is responsible for the payments to landlords on behalf of franchisees, the lease payments under the current commercial arrangements are paid by the franchisees, which Chemist Warehouse passes onto the landlord. As a result, in FY23 Chemist Warehouse recognised a lease receivable on the balance sheet reflecting the present value of the lease payments to be received for the term of the lease by Chemist Warehouse from franchisees to be paid to landlords. Finance income associated with the lease receivable had the overall impact of reducing the net finance cost of Chemist Warehouse as explained in Section 4.7.1.

Finance costs increased from $(68.6) million in FY22 to $(108.1) million in FY23 to $(123.3) million in FY24. This is the result of the following factors:

- finance costs from borrowings has increased historically due to the increase in the Australian cash rate from 0.85% at 30 June 2022 to 4.35% at 30 June 2024; and
- finance costs from leases under AASB 16 *Leases* has increased over the historical period largely due to growth in the Chemist Warehouse Australian Franchise Network for which Chemist Warehouse is the head lessor and recognises a lease liability which represents the present value of lease payments to be made over the term of the leases.

### 4.7.13. Income tax expense

**Figure 42: Income tax expense**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| Income tax expense | (156.0) | (123.4) | (25.5) |
| *Effective tax rate %* | *29.6%* | *29.0%* | *4.7%* |

The Australian entities within the Merged Group are subject to tax at the Australian corporate tax rate. Foreign entities are taxed individually within their respective tax jurisdictions.

During FY24, Chemist Warehouse reached an agreement with the ATO that an expense of $445.3 million recognised in FY21, is deductible over five years. Accordingly, Chemist Warehouse has revised the tax treatment and recognised a total tax benefit of $133.6 million in FY24. Excluding this amount the effective tax rate would have been 29.1% in FY24.

### 4.7.14. Leases

The Merged Group Pro Forma Historical Financial Information includes the impact of AASB 16 *Leases*. Under AASB 16 *Leases*, the Merged Group Pro Forma Historical Income Statement presents the lease expense as a combination of depreciation in relation to the right-of-use assets, and interest cost relating to the net finance cost embedded within the lease. AASB 16 *Leases* impacts the presentation of lease expenses within the Merged Group Pro Forma Historical Income Statement, however, it does not impact the net cash flows of the Merged Group.

**Figure 43: AASB 16 *Leases* Historical Income Statement impact**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| Principal and interest elements of lease payments and receipts | 149.8 | 110.5 | 36.8 |
| Depreciation – right of use assets | (136.2) | (95.5) | (29.4) |
| Net impact of lease interest under AASB 16 *Leases* | (38.0) | (32.0) | (11.7) |
| **AASB 16 *Leases* Historical Income Statement impact** | **(24.4)** | **(17.0)** | **(4.3)** |

## 4.8. Management Discussion and Analysis of the Merged Group Pro Forma Historical Statements of Cash Flows

This Section 4.8 includes a discussion of the key factors which affected the Merged Group's cash flows over FY22, FY23 and FY24. The discussion of these factors is intended to provide a summary only and does not detail all drivers that have affected the Merged Group's historical cash flows

The information in this Section 4.8 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

### Figure 44 Merged Group Pro Forma Historical Statements of Cash Flows

| | Chemist Warehouse | | | Sigma | | | Pro forma adjustments | | | Merged Group | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **$m** | **FY22** | **FY23** | **FY24** | **FY22** | **FY23** | **FY24** | **FY22** | **FY23** | **FY24** | **FY22** | **FY23** | **FY24** |
| **Cash flows from operating activities** | | | | | | | | | | | | |
| **EBIT** | **585.9** | **459.8** | **581.5** | **3.3** | **36.3** | **7.7** | **1.9** | **12.9** | **16.3** | **591.1** | **508.9** | **605.5** |
| Net interest and other finance costs paid and received | (35.9) | (30.4) | (7.4) | (11.8) | (15.8) | (5.0) | (16.7) | (37.6) | (45.9) | (64.5) | (83.8) | (58.2) |
| Income tax paid | (132.6) | (189.6) | (82.3) | (10.8) | (5.2) | 0.3 | 6.9 | 8.4 | 13.9 | (136.5) | (186.4) | (68.2) |
| Depreciation and amortisation | 136.5 | 95.5 | 35.3 | 29.6 | 29.4 | 27.1 | 7.2 | 7.3 | 7.4 | 173.3 | 132.2 | 69.7 |
| Other non-cash items | (5.3) | (24.7) | (10.8) | 13.8 | (6.5) | 0.9 | (7.0) | (0.2) | – | 1.5 | (31.5) | (9.9) |
| Movement in working capital | (264.2) | 134.2 | (243.0) | 30.1 | (1.9) | (91.3) | (3.1) | (20.6) | (7.5) | (237.2) | 111.6 | (341.8) |
| **Net cash from operating activities** | **284.3** | **444.7** | **273.2** | **54.2** | **36.2** | **(60.3)** | **(10.9)** | **(29.9)** | **(15.8)** | **327.6** | **451.0** | **197.1** |
| **Cash flows from investing activities** | | | | | | | | | | | | |
| Net payment for property, plant, equipment and intangibles | (13.1) | (12.3) | (41.3) | (25.0) | (14.8) | 2.7 | 0.4 | – | – | (37.6) | (27.1) | (38.7) |
| Payment for financial assets at fair value through other comprehensive income | – | (21.0) | (2.9) | (1.7) | – | – | – | – | – | (1.7) | (21.0) | (2.9) |
| Proceeds from sale of investments | – | 60.1 | 4.0 | – | 0.3 | 1.5 | – | – | – | – | 60.4 | 5.5 |
| Other investing cash flows | (4.8) | – | 0.1 | – | 0.4 | – | – | (0.5) | – | (4.8) | (0.1) | 0.1 |
| Principal elements of lease receipts | 6.9 | 48.7 | 109.5 | – | – | – | – | – | – | 6.9 | 48.7 | 109.5 |
| **Net cash from investing activities** | **(11.0)** | **75.5** | **69.4** | **(26.7)** | **(14.1)** | **4.2** | **0.4** | **(0.5)** | **–** | **(37.3)** | **60.9** | **73.6** |
| **Cash flows from financing activities** | | | | | | | | | | | | |
| Net proceeds/(repayment) of loans | (7.8) | (40.9) | 67.8 | 55.0 | (15.0) | (80.0) | – | – | – | 47.2 | (55.9) | (12.2) |
| Principal elements of lease payments | (108.3) | (117.5) | (125.0) | (10.4) | (9.7) | (9.6) | – | – | – | (118.7) | (127.2) | (134.6) |
| Transactions with non-controlling interests | 0.5 | 0.3 | – | – | – | – | – | – | – | 0.5 | 0.3 | – |
| Proceeds from issue of shares | – | – | – | – | – | 394.3 | – | – | – | – | – | 394.3 |
| Proceeds from employee shares exercised | – | – | – | 0.2 | 1.8 | 1.3 | – | – | – | 0.2 | 1.8 | 1.3 |
| **Net cash from financing activities** | **(115.6)** | **(158.1)** | **(57.1)** | **44.8** | **(22.9)** | **306.0** | **–** | **–** | **–** | **(70.8)** | **(181.0)** | **248.8** |
| **Movement in net cash before dividends** | **157.7** | **362.1** | **285.4** | **72.3** | **(0.8)** | **249.9** | **(10.5)** | **(30.4)** | **(15.8)** | **219.5** | **330.9** | **519.4** |

### 4.8.1. Movement in net working capital

**Figure 45: Movement in net working capital**

| $m | FY22 | FY23 | FY24 |
|---|---|---|---|
| Movement in net working capital | (237.2) | 111.6 | (341.8) |

Movement in working capital reflects the net changes in trade and other receivables, inventories, trade and other payables, employee benefits, contract liabilities and other assets and liabilities.

The Merged Group's working capital balance has some inter-period and period to period volatility driven by seasonality and stock purchasing decisions. Net working capital is generally positive as inventory levels and trade and other receivables typically exceed trade and other payables.

Working capital decreased by $111.6 million in FY23 which was primarily due to the timing of settlement of trade receivables at 30 June 2023.

Working capital increased by $341.8 million in FY24 which was primarily due to the reversal of the timing difference of the settlement of trade receivables during the year.

### 4.8.2. Capital expenditure

The Merged Group's capital expenditure primarily relates to distribution centre assets which are included within property, plant and equipment.

The Merged Group's capital expenditure includes:

- expenditure relating to the expansion of the Merged Group's network of distribution centres;
- expenditure relating to assets utilised within Merged Group distribution centres;
- expenditure relating to the establishment of new and maintenance, refurbishment and upgrade of established, partially and wholly owned stores in international markets; and
- expenditure relating to the acquisition of intangible assets.

Capital expenditure in FY22 ($37.6 million) and FY23 ($27.7 million) largely related to the distribution centre optimisation strategy implemented by Sigma to generate efficiencies from automation. Capital expenditure in FY24 ($47.0 million) primarily related to purchases for assets leased or assets that are planned to be leased to the Australian Franchise Network and costs related to the opening of new stores in Ireland. Also included in FY24 capital expenditure is $8.5 million paid for the acquisition of trademarks.

## 4.9. Dividend policy

The payment of a dividend by the Merged Group, if any, is at the discretion of the Merged Group Board. The ability to pay a dividend will be a function of several factors, many of which are beyond the control of the Merged Group, and includes the general business environment, operating results, cash flows and financial condition of the Merged Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Merged Group and any other factors the Merged Group Board deems relevant. The Merged Group will pay dividends in Australian dollars.

No assurances can be given by any person, including the Merged Group Directors, about the payment of any dividend or the level of franking credits attaching to such dividend.

The Merged Group Board will determine the target dividend payout ratio post Implementation, which is when the Merged Group will be able to consider decisions regarding capital allocation. However, subject to economic conditions, business performance and capital requirements, and approval by the Merged Group Board, the Merged Group will intend to target a dividend payout ratio of 50-70% of statutory profit after income tax expense post Implementation.

## 4.10. Current performance and outlook

In the six month period from 1 July 2024 to 31 December 2024, the Chemist Warehouse and Sigma businesses have been trading positively:

- Sigma has benefitted from the material additional volumes and improved operational performance under the Sigma Supply Agreement, with normalised EBIT for the year ending 31 January 2025 expected to be $64 to $70 million. This is up from previous normalised EBIT guidance of $50 to $60 million; and
- For the six months to 31 December 2024, Chemist Warehouse's preliminary unaudited results are summarised below:

| | 1H FY25 | 1H FY24 | Growth vs. PCP |
|---|---|---|---|
| **Chemist Warehouse Retail Network Sales ($m)** | | | |
| Australia | 4,505.9 | 4,011.7 | 12.3% |
| International | 648.2 | 547.7 | 18.4% |
| **Total Chemist Warehouse Retail Network Sales ($m)** | **5,154.0** | **4,559.4** | **13.0%** |
| **Like-For-Like Chemist Warehouse Retail Network Sales Growth (%)** | | | |
| Australia | 10.4% | 8.7% | |
| International | 9.0% | 10.6% | |
| **Total Like-For-Like Chemist Warehouse Retail Network Sales Growth (%)** | **10.3%** | **8.9%** | |
| **Financial Measures** | | | |
| Chemist Warehouse EBIT ($m) | 437.9 | 324.3 | 35.0% |
| Chemist Warehouse EBIT Margin (%) | 22.3% | 18.3% | +400 bps |
| Chemist Warehouse PBT ($m) | 436.8 | 320.9 | 36.1% |
| **Chemist Warehouse Retail Network (at period end)** | | | |
| Number of Retail Network stores | 658 | 622 | 36 |
| Number of geographies | 5 | 4 | 1 |

Post Implementation, the Merged Group will seek to achieve sustained long-term growth in revenue and EBIT through the growth opportunities referred to in Section 3.8.

# 5 Risk factors

# 5. Risk factors

## 5.1 Introduction

This Section 5 describes some of the potential risks associated with the Offer and, where relevant, with the Merged Group.

The Offer relates to an investment in Sigma Shares. This Section 5 sets out general risks and risks associated with investing in Sigma Shares. An investment in Sigma will be, following Implementation of the Transaction, an investment in the Merged Group. Therefore, this Section 5 also sets out risks that are specific to the Merged Group and the industry in which it will operate following Implementation.

Any single risk, or a combination of these risks, may have a material adverse impact on the Merged Group's future business, financial performance, operations, growth, prospects, or on the price or value of Sigma Shares in the future (including following Implementation of the Transaction). This Section 5 does not purport to list every risk that may be associated with an investment in Sigma Shares now or in the future. While the Merged Group will seek to manage risks to prevent adverse outcomes, many of these risks will be partially or completely outside the control of the Merged Group and its management, and the Sigma Directors and Proposed Directors.

The selection of risks in this Section 5 has been based on an assessment of a combination of the likelihood of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. This assessment is based on the knowledge of the Sigma Directors, Proposed Directors and management of the Merged Group as at the Prospectus Date. There is no guarantee or assurance that the importance of risks will not change or other risks will not emerge. Additional risks (including those that the Sigma Directors, Proposed Directors and management of the Merged Group are currently unaware of) also have the potential to have a material adverse impact on the Merged Group's future business, financial performance, operations, growth, prospects, or on the price or value of Sigma Shares.

There can be no guarantee that the Merged Group will achieve its stated objectives or deliver on its business strategy, or that the any forward-looking statement contained in this Prospectus will be achieved or realised. You should note that past performance is not an indicator of future performance.

An investment in the Merged Group is not risk free. Potential investors should read the entire Prospectus, including the risks factors set out below, and seek professional guidance from their solicitor, stockbroker, accountant or other independent and qualified professional adviser, before deciding whether to apply for Sigma Shares pursuant to this Prospectus. Investors should consider whether the Sigma Shares are a suitable investment for them, having regard to their own investment objectives, financial circumstances, and taxation position.

## 5.2 Risks that are associated with the Merged Group

### 5.2.1 Operating in a regulated environment, regulatory reform and other legislative changes

The Merged Group may be affected by changes to government policies and legislation, including those relating to the pharmaceutical industry (including in relation to the PBS or CSO), the pharmacy sector (to which the Merged Group supplies products and services), taxation, the regulation of trade practices, competition, franchisees, modern slavery, anti-corruption and anti-bribery laws or other legal or regulatory changes which could impact the structure and/or operations of the Merged Group's business.

As a pharmaceutical wholesaler, any adverse changes to the PBS generally or in relation to PBS medicines sold by the Merged Group could lead to lower prices being paid for medicines which may lead to a lower regulated distribution margin. In addition, there are existing legislative mechanisms such as price disclosure which may result in the unit prices of PBS medicines being progressively reduced twice a year, without any corresponding increase in the regulated wholesaler mark-up, with the effect of reducing wholesale margins. The Merged Group will have no control over any PBS price adjustments. Furthermore, any changes to the pharmacy location rules, or changes which reduce the PBS revenue available to pharmacies, may negatively impact the viability of some pharmacies (which are wholesale customers of the Merged Group or franchisees to which the Merged Group supply PBS medicines), and which may reduce demand for the products and services supplied by the Merged Group.

Since 2006, under successive agreements between the Commonwealth Government and the Pharmacy Guild (known as Community Pharmacy Agreements or CPAs), the Federal Government has provided a CSO funding pool in recognition of the costs faced by pharmaceutical wholesalers such as Sigma in providing the full range of PBS medicines to pharmacies across Australia, particularly when distributing to remote geographic regions. The CSO arrangements are highly regulated under Deeds of Agreement between the Commonwealth Government and CSO distributors, including with Sigma (**CSO Deed**). Pursuant to the undertaking provided by Sigma pursuant to s 87B of the CCA to the ACCC (**Merger Undertaking**), Sigma has committed to remain a CSO distributor and has committed not to terminate Sigma's CSO Deed for a period of 5 years from the Implementation Date. If the Commonwealth Government were to exercise termination rights during the term of the CSO Deed in accordance with the CSO Deed, this would result in loss of access to the CSO funding pool.

On 19 December 2024, the Commonwealth and NSPA signed the 1PWA which outlines the principles intended to apply to funding for pharmaceutical wholesalers for 5 years, covering both the CSO funding pool (for CSO distributors) and the wholesaler mark-up (which will replace the wholesaler mark-up funding agreed under the 8CPA). Sigma's existing CSO Deed expires by 30 June 2025. The Commonwealth intends to enter into new, separate CSO Deeds with CSO distributors to reflect the terms of and give effect to the

1PWA. There is a risk that Sigma's CSO Deed may not be renewed, the Commonwealth could appoint new CSO distributors, or the Commonwealth Government may adopt a different approach to CSO funding in a manner adverse to the Merged Group, which could reduce the Merged Group's earnings from the CSO funding pool.

There is the possibility of other changes to pharmaceutical industry regulation or government policy, which may impact the Merged Group. For example, changes which increase the range of pharmaceuticals which can be sold in general retail outlets rather than only in pharmacies, will reduce sales of such goods by pharmacies and therefore reduce wholesale demand by pharmacies from pharmaceutical wholesalers and pharmacy distributors.

Examples of recent regulatory changes in Australia which may impact the business of the Merged Group include '60 day prescribing' (explained in Section 2.5.1.7.1) and the phasing out of permitted discounts to PBS co-payments (explained in Section 2.5.1.7.1). 60 day prescribing may impact the revenue of pharmacy businesses which are customers of the Merged Group and therefore their spending power, although adjustments to payments to pharmacists agreed under the 8CPA (and now passed into law) are intended to mitigate this impact. Pharmacies may also experience reduced footfall as a result of this change and therefore also reduced sales of FOS products.

The 60 day prescribing impacts the wholesale revenue received by Sigma (and from Implementation, the Merged Group) on the distribution of products included in '60 day prescribing'. Some of these flow-through impacts are intended to be offset by changes to CSO funding arrangements agreed in the 1PWA, which are intended to be reflected in new, separate CSO Deeds with CSO distributors. In relation to discounts to PBS co-payments, Chemist Warehouse pharmacies currently use the availability of this discount as a differentiator and the phasing out of permitted discounting from 1 January 2025 (explained in Section 2.5.1.7.1) may reduce the relative attractiveness of their pharmacies to customers compared to other pharmacies. The nature and materiality of the impacts of these changes are difficult to predict because it depends on prescriber and consumer behaviour in response to the change. While any immediate impacts will be to pharmacy customers of the Merged Group, there may be flow-on impacts for the performance of the Merged Group. Any of these changes could have a material adverse effect on the Merged Group's financial performance.

Given the Merged Group will operate in a highly regulated environment, the Merged Group is inherently exposed to the risk of non-compliance with applicable laws and regulations (which may be inadvertent), including in its capacity as a sponsor of TGA registrations for pharmaceuticals or medical devices, wholesaler, distributor, importer, franchisor, advertiser, employer, lender and recipient of personal and health information (e.g. through its relevant websites). The failure of the Merged Group to comply with any applicable laws and regulations may lead to negative publicity, claims by Third Parties, enforcement actions by regulators (including regulatory and judicial orders that may lead to a cessation or curtailing of operations) and potential civil or criminal fines or penalties, as well as loss of access to the CSO funding pool. This may require changes to the Merged Group's business model or operations which may increase cost or impact on its ability to generate revenue.

If any of the above were to occur, it could result in a material adverse effect on the Merged Group's operations and financial performance, reputation or competitive position.

### 5.2.2 Changes to competitive landscape and operating performance of retail pharmacies

The Merged Group will operate in highly competitive environments which could become more competitive in the future including from actions from both new and existing competitors. Competition which may impact the Merged Group includes the wholesaling and distribution of prescription, OTC and FOS products to pharmacies and as an online retailer of FOS goods to consumers. The Merged Group, as franchisor, will also be impacted by competition from other franchisors and pharmacy buying groups as well as a range of other providers offering services to pharmacies. In addition, competition at the retail level which will impact the Merged Group's franchisees or, its pharmacy customers, will indirectly impact the Merged Group if there is reduced demand for prescription, OTC and FOS products from the Merged Group or for franchisor services. Competition at the retail level includes other retail pharmacies, supermarkets and other specialty and general retailers including health and beauty retailers, including online and bricks and mortar suppliers.

The risks posed to the Merged Group's businesses will include:

- the development of platforms linking pharmacists directly to pharmaceutical and other suppliers (and the corresponding de-linking of the Merged Group's wholesale business from the supply chain);
- customers bypassing wholesalers like the Merged Group for their FOS product distribution and instead adopting "direct to store" models or investing in warehouse infrastructure; and
- competitors pursuing a strategy of further vertical integration with suppliers.

Increased competition from other franchisors and in the retail space may make it harder for the Merged Group to compete and win new franchisees for its banner groups, as well as retain existing franchisees including by reason of the Merger Undertaking, which includes commitments not to prevent or hinder Sigma franchisees and other wholesale customers which signed an agreement with Sigma prior to 1 July 2024 from terminating their franchise arrangements or any other agreements with Sigma for a period of 3 years from Implementation. This could impact the Merged Group's ability to generate wholesale sales, leading to a loss of market share and cause a decline in profitability. This could also affect the Merged Group's ability to negotiate favourable contract terms with customers and existing franchisees.

Franchisees of the Merged Group (as well as other pharmacies) compete at a retail level based on a number of factors, including price, location, the quality and variety of their products and services, reputation, in-store experience and brand recognition. The desirability of the IP, goods and services supplied by the Merged Group to its franchisees is impacted by the effectiveness of this offering in the view of those customers both generally and compared to competitors of the Merged Group, including other wholesalers and franchisors (or the option of operating as an unbranded pharmacy). Additionally, the market for FOS products such as vitamins, personal care, beauty and wellness products is highly price competitive at all levels of the supply chain and at the retail level. If the Merged Group is not able to wholesale or distribute FOS goods to pharmacy customers at competitive prices, or if pharmacy customers do not offer such FOS goods to consumers at competitive prices, demand for such FOS goods supplied by the Merged Group will reduce. Any deterioration in the Merged Group's or its associated franchisees' or customers' competitive position and operating performance, or increased competition from new and existing competitors, could affect the Merged Group's ability to generate wholesale sales, lead to a loss of market share, and cause a decline in profitability.

Any future deregulation of pharmacy in Australia, so that non-pharmacists are permitted to own pharmacy businesses, would have a significant impact on the competitive dynamics in the pharmacy sector. Deregulation could also see the current prohibition on supermarket chains or other large retailers (including online retailers) from owning pharmacies removed. If this were to occur, supermarket chains and other large retailers would be able to compete directly with the Merged Group's pharmacy franchisees and pharmacy customers for the sale of prescription and OTC products, including online, which could have consequential negative impacts on the Merged Group's wholesale sales and profitability as well as impacting demand for services from their franchisor businesses. Although Sigma considers that the Merged Group would be well-positioned to respond to such a change, the impact is unpredictable for the Merged Group and its pharmacy customers.

### 5.2.3 Impact of the need for pharmacy customers to obtain approvals from State pharmacy regulators

Although wholesaler, franchisor, lessor and/or business lender relationships between non-pharmacists and pharmacists are well-established and accepted in Australia, the laws preventing non-pharmacists from holding a 'financial', 'ownership' or 'proprietary' interest in a pharmacy (depending on the jurisdiction) impact the commercial terms which can be agreed between the Merged Group and their pharmacy customers including franchisees. These laws may also make certain provisions in agreements between suppliers and pharmacies void in certain jurisdictions.

In States and Territories other than Queensland (where the law to align with other States has been passed), commencement of the licensing provisions is expected to commence by late 2025 (by proclamation) or will otherwise automatically commence on 29 March 2026 ), a franchisee of the Merged Group cannot open a new pharmacy, relocate or undergo a change of ownership without obtaining approval from the pharmacy regulator. If the regulator considers that the documents submitted with the application will give a non-pharmacist (e.g. a franchisor) an impermissible interest in the applicant pharmacy, the application may be rejected or the regulator may require changes to be made to the documents before the application will be approved. The pharmacy and the franchisor or other suppliers may in practice need to make the required changes even if they disagree with the regulator's position, to avoid a delay which adversely affects the pharmacy, which may impact the financial performance of the Merged Group and store growth plans.

The Merged Group could also be subject to regulatory action if a regulator considers that the Merged Group's arrangements with a pharmacy give the Merged Group an impermissible interest in the pharmacy or undue influence or control. The consequences were this to occur could include the imposition of criminal penalties or the possibility that the arrangements are declared void. In addition, a pharmacy customer's approval could be revoked or cancelled in some States (Western Australia, Tasmania, Victoria, and Queensland when new laws commence), which may impact the Merged Group's revenue from those pharmacy customers. Although some agreements, including franchise agreements, are reviewed by State and Territory pharmacy regulators when approvals are obtained, a risk of regulatory action may arise if the regulator considers that it was not aware of the full import of the arrangements between the Merged Group and a franchisee, or forms the view that the in-practice arrangements differ from the documents which were reviewed. A regulator may also change its interpretation of the relevant regulatory regime and may reject an application substantially on the same terms as a previously approved application, or a renewal of an application on the same terms that was previously approved, or otherwise seek regulatory action. If this were to occur, there could be a material adverse effect on the Merged Group's store growth plans and the financial performance and prospects of the Merged Group.

### 5.2.4 Impact of Australia's pharmacy ownership laws and stakeholder activism

Historically, pharmacy stakeholders have been known to oppose proposed changes to Australia's pharmacy ownership laws and of agitating for regulatory intervention where a business model emerges (or is speculated) that may disrupt the status quo, notwithstanding that some pharmacists may wish to participate in that business model.

It is possible that pharmacy stakeholders may seek to disrupt the Merged Group's or its franchisees' or customers' operations, or growth or expansion into new areas or new activities, and/or to encourage regulators to do so. Pharmacy stakeholders may seek to argue in the public domain or in representations to government that aspects of the Merged Group's arrangements are or should be prohibited or void. If the Merged Group's compliance with the pharmacist-owned pharmacy model becomes a matter of public contention, confidence in the Merged Group's revenue base may be negatively impacted until the issues are resolved. Pharmacy stakeholders may also seek to argue for additional regulatory restrictions to be enacted which would negatively impact the Merged Group and/or its franchisees or pharmacy customers compared to their respective competitors.

### 5.2.5 Impact of the need for NSW based pharmacy customers to obtain approvals from the NSW State pharmacy regulator

NSW has the most restrictive laws in Australia relating to pharmacy ownership. The NSW laws are broadly expressed, of uncertain scope and subject to differing interpretations. An approval is required from the NSW regulator before opening or relocating a pharmacy business, or if there is a change of ownership of a pharmacy business. The NSW regulator requires that franchise or similar agreements are submitted with applications for approval and will reject the application if it forms the view that the supplier will obtain a financial interest in the customer pharmacy business. However, no further approvals are required in NSW where such agreements expire or are terminated and new agreements are entered into.

The NSW regulator has been routinely approving pharmacy application documentation submitted by Chemist Warehouse pharmacy customers involving a services agreement and a separate trade mark licence. While these agreements are less comprehensive than the franchise agreements in use in other Australian States and Territories, Chemist Warehouse considers that they provide a sound basis for NSW pharmacy customers to receive intellectual property and services from Chemist Warehouse. While some comfort can be obtained in NSW from past approvals having been granted based on a particular form of documents, the outcome of any individual application can still be unpredictable. One way in which individual applications may differ from each other is quantum of fees.

In NSW, as in other States and Territories, fees that represent fair value for goods, services and IP provided, in a genuine customer/supplier relationship, should not confer a prohibited interest on the supplier. However, to the extent the NSW regulator considers that the absolute quantum of fees, or its own view of the fair value of fees, is relevant to its consideration of whether a supplier has a prohibited financial interest in a pharmacy business, that may impact the outcome of an application. Should any application by a pharmacy customer of Chemist Warehouse be rejected by the NSW regulator for whatever reason, the applicant may opt to re-submit addressing any specific concerns identified by the NSW regulator or alternatively exercise rights of review and appeal. If this occurs, this may delay applications or result in less optimal arrangements being entered into, which may impact the Merged Group's operations (including the profitability of those operations) and ability to realise store growth plans in NSW profitably.

### 5.2.6 Inadequate or poor inventory management

The Merged Group relies on its data analytics, human analysis and inventory management systems to manage its business, in particular its stock levels and stock purchasing. If the Merged Group's inventory management system or data analytics fail or use inaccurate information or assumptions, there could be errors in order fulfillment, delayed shipments, and increased administrative costs.

If the Merged Group's demand planning is inaccurate, then this could lead to stock imbalances. Excess inventory could tie up capital, lead to higher holding costs, including occupying excess warehouse space and increasing the risk of obsolete stock. In the event of insufficient stock, delayed order fulfillments might mean loss of sales for each of the Merged Group, its franchisees and pharmacies, and loss of customers. It could also mean that the Merged Group is unable to meet its obligations for supplying PBS medicines under the CSO Deed. The consequences for the Merged Group being unable to meet its supply obligations under the CSO Deed include financial or non-financial sanctions, and potentially, exclusion from the CSO funding pool or termination of the CSO Deed by the Commonwealth.

If the Merged Group fails to achieve appropriate stock holdings, including by failing to efficiently manage stock return arrangements, this could adversely impact their financial position via a build-up of stock, an increase in write-offs, increased working capital requirements, inefficient use of capital and decreased productivity, any of which could have a material adverse effect on the Merged Group's financial and operating performance.

### 5.2.7 Inadequate or poor liquidity management or failure to raise funding when required

Effective liquidity management will be imperative to meet the Merged Group's ongoing funding requirements, manage working capital and execute its overall business strategies. Poor or inefficient management of its liquidity risk could adversely affect the Merged Group's operations and financial performance.

The Banking Facilities (as described in Section 9.9) may require refinancing in the future. The Merged Group may also require new or additional debt facilities in the future. The Merged Group's ability to secure funding at the appropriate time will depend on the amount of funding required, the proposed tenor of funding, the performance and future prospects of its business, and a number of other factors which are prevailing at that time which may be beyond the control of the Merged Group (e.g. interest rates, economic conditions, debt market conditions and legislative, regulatory or other factors). There is no assurance that the required funding will be secured at all or on acceptable terms and in the timeframe required, which may constrain the Merged Group's business operations (for example by preventing investment in growth or to respond to competitive pressures) and adversely impact the Merged Group's financial performance.

Other potential risks to the Merged Group associated with the Banking Facilities and other current or future financing arrangements include breaching debt covenants, incurring increased borrowing costs (for example, if interest rates rise) or not being able to meet financial commitments when they fall due, as well as the detrimental financial impact on their business from the sub-optimal use of capital and the potential adverse reputational impact from suppliers or creditors.

In addition, poor liquidity management may impact upon the Merged Group's strategic flexibility – for example, the Merged Group's ability to execute on its strategic goals by taking advantage of favourable opportunities as they arise, or its ability to adapt to changing market conditions, invest in innovation, or pivot in response to competitive pressures. This lack of strategic flexibility can hinder long-term growth and competitiveness.

### 5.2.8 Loss of a material customer or customer group or customer default

There is a risk that the Merged Group may lose a material individual customer or material customer group, including by reason of the Merger Undertaking (as described in the 'Changes to competitive landscape and operating performance of retail pharmacies' risk above) which includes commitments not to prevent or hinder Sigma franchisees and other wholesale customers which signed an agreement with Sigma prior to 1 July 2024 from terminating their agreements with Sigma for a period of 3 years of the Implementation Date, which could negatively impact the Merged Group's wholesale revenue, result in a lower customer base for the Merged Group's retail franchisor services and healthcare programs, lead to weaker buying power from a decrease in volume of product purchased, and a significant change to revenue scale could mean the Merged Group may be unable to support its fixed cost base. An individual customer or a buying group may default in a payment to the Merged Group or suffer an insolvency event. This could lead to a negative working capital impact due to overdue debts and increased borrowing costs and increased legal and debt recovery costs. Any of these could have a material adverse effect on the Merged Group's operations or financial performance.

The Merged Group is party to a number of contracts and agreements with a broad range of suppliers and service providers. Some contract counterparties (include lease counterparties) have a right to terminate contracts in certain circumstances, including where a change of control provision is triggered or where the Merged Group is in material breach of the contract. Some parties could elect to terminate or use their rights to seek variations to contractual terms. In addition, some contracts contain a right for the counterparty to terminate for convenience at any time during the contract terms. Some of the Merged Group's material contracts are undocumented or 'ad hoc', have expired or will expire in the next 12 months and there is a risk that the Merged Group will not be able to renew them on favourable terms or at all.

### 5.2.9 Inability to acquire products at competitive prices and exposure to Third Parties' supply chain vulnerabilities

The Merged Group's ability to wholesale or supply products at competitive prices to their respective franchisees or pharmacy customers and to online consumers for FOS goods, will be highly dependent on securing competitively priced arrangements from Third Party suppliers. The Merged Group may be unable to source products from key suppliers or may experience delays in transportation and may therefore be unable to service its customers' needs. Furthermore, if a Third Party supplier does not allocate enough stock to the Merged Group relative to its anticipated demand for that product, or there is a wide-scale shortage of a particular type of pharmaceutical (e.g. as has recently occurred with semaglutide), this would have an impact on the Merged Group's revenue and cash flow. The Merged Group may be materially and adversely affected if any of these suppliers are not willing or not able to supply products as contracted (including as a result of delay or disruption), or if the Merged Group is unable to continue to negotiate favourable terms with suppliers (including in relation to the wholesale cost of the products) or find suitable replacement suppliers.

The Merged Group will be subject to supply chain vulnerabilities of global prescription, OTC and FOS product manufacturers (including direct suppliers to the Merged Group, upstream suppliers or logistics suppliers). The pharmaceutical industry experiences varying levels of 'temporarily out of supply' and 'manufacturer can't supply' events for particular prescription, OTC and FOS products from suppliers. These levels fluctuate depending on the supply chain vulnerabilities of the manufacturer. Furthermore, environmental factors, including those related to climate change, as well as pandemics and conflicts can contribute to supply chain disruptions and fluctuations in demand. Extreme weather events, natural disasters, or environmental policy changes may impact transportation infrastructure, disrupt production facilities, and lead to delays in the delivery of prescription, OTC and FOS products alike.

Any impacts to the Merged Group's supply chain could not only affect the availability of inventory, but also increase operational costs associated with sourcing alternative supply chain routes or contingency plans. Should the Merged Group's supply chain be disrupted, it could lead to a loss of sales resulting in lower revenue, a loss of market share and have the potential to materially impact the Merged Group's financial performance, operational efficiency, reputation and overall business continuity. Where the disruption impacts exclusive or owned brands, there may also be flow-on negative impacts to margins able to be achieved by the Merged Group. If this were to occur, there could be a material adverse effect on the Merged Group's financial performance.

### 5.2.10 Cyber risk

Notwithstanding any preventative measures, given the Merged Group's dependence on IT systems and infrastructure, it will be vulnerable to cyber-attacks (including state-sponsored attacks), ransomware attacks, computer viruses or data breaches. This is particularly the case given the increasing frequency and sophistication of attacks. If the Merged Group were to experience a significant cyber security incident, this could result in financial loss especially if the Merged Group did not have adequate insurance coverage, operational disruption or reputational damage, for example, as a consequence of being unable to meet wholesaling obligations due to impacts on the Merged Group's distribution network or from an inability to provide services and support to franchisees due to system interruptions.

A security breach or cyber-attack could result in significant business disruption and cost, misappropriation of funds, the unavailability of core business systems, loss of intellectual property and disclosure of sensitive business information or personal data. Other consequences could include legal or regulatory liability (or increased regulatory scrutiny), loss of business and reputational damage or adverse effects on customer relations. In addition, the Merged Group may incur significant costs to investigate and rectify the incidents, including identifying system vulnerabilities or introducing additional safeguards to minimise the risk of future events. Any of these could have a material adverse effect on the Merged Group's financial performance.

### 5.2.11 Inadequate IT infrastructure and systems

The Merged Group will rely heavily on IT infrastructure and systems to manage its businesses, including its compliance with various regulatory, legal and tax requirements. These systems include inventory management software, enterprise resource planning systems, point of sale systems supply chain and distribution systems, data analytics, e-commerce systems, computer systems and hardware, network and telecommunications equipment and systems, and financial and document management systems. Any failure to successfully maintain adequate systems including the timely replacement of legacy systems, or implement updates or changes across business operations without disruptions, may negatively impact the Merged Group's business and performance or its ability to monitor and report on its financial performance in a timely manner.

In particular, Chemist Warehouse is currently undertaking an ERP upgrade project to replace a legacy system. Failure to manage and implement this project properly may lead to disruptions in the business of Chemist Warehouse and the Merged Group after Implementation and may have an adverse effect on the revenue and profitability of the Merged Group.

Sigma is currently undertaking a project to migrate all remaining third party logistics contracts onto SAP. Failure to manage and implement this project properly may lead to disruptions in the business of Sigma and the Merged Group after Implementation and have an adverse effect on the revenue and profitability of the Merged Group.

The Merged Group will rely on Third Party providers for various services, including IT software. There is a risk that any disruption or interference with the operations of any of the Merged Group's Third Party providers may restrict, interrupt or adversely affect the Merged Group's business.

In addition, the Merged Group could be subject to various IT system damage or failures, corruption, network disruptions, cybersecurity attacks (discussed further above), loss of data, breaches in data security, and other malicious or non-malicious disruptions and incidents, any of which may interrupt or otherwise have a material adverse effect on the Merged Group's operations, financial condition and operating results. A failure may be caused by various factors including equipment failure, information technology failure, stock handling procedures breakdowns, labour shortages or work stoppages, events that impede transportation of products, failure of Third Parties or malicious activities.

### 5.2.12 Due to local regulations, each New Zealand pharmacy needs to be operated through a JV-like structure with New Zealand registered pharmacists

Under New Zealand law, New Zealand registered pharmacists must hold the majority of the shares in, and must have effective control of, any company that operates a licensed pharmacy. Additionally, no single pharmacist can hold a majority of shares in the operating companies of more than 5 pharmacies. There are no restrictions on the share of economic ownership of pharmacies in New Zealand. Under the Merged Group's model in New Zealand, each New Zealand pharmacy is operated by a separate company. Locally registered pharmacists hold a controlling interest in each such company and the majority of directors on the boards of those companies are the locally registered pharmacists. Chemist Warehouse has option arrangements in place which, amongst other things, facilitate the replacement of a pharmacist co-owner with a different New Zealand registered pharmacist in certain circumstances such as in the event that the pharmacist cannot act as a director or loses their registration as a pharmacist or is in breach of relevant law or of applicable governing documentation (for example, there are obligations for pharmacist shareholders to use best endeavours to do everything necessary to ensure the relevant company continues to meet New Zealand licensing requirements and not to act in a way that may prejudice the ability for the company to operate the business). If the Merged Group cannot expeditiously identify suitable New Zealand registered pharmacists who wish to participate in this structure, or if there is not an alignment of interests between the Merged Group and the pharmacist co-owners, the financial and operational performance of one or more New Zealand pharmacies may be negatively impacted.

Recently, Chemist Warehouse has become aware that the New Zealand pharmacy licensing regulator, Medsafe, is taking a more stringent approach to rights held by non-pharmacist shareholders in companies which operate licensed pharmacies, for example, through requirements for certain decisions of the operating company to be made by unanimous board or members' resolutions. Chemist Warehouse will engage with Medsafe in relation to the position as regards customary minority protections, noting that protections under the Companies Act 1993 (NZ) (eg. the need for special resolutions of members for certain decisions) would continue to apply. The outcome of this engagement is unknown. A reduction in protections for Chemist Warehouse available through supermajority voting arrangements creates a possible exposure for Chemist Warehouse if the pharmacist shareholders/directors vote together on a former supermajority matter against Chemist Warehouse's interests. There is not expected to be an impact on the operations or performance of the pharmacy businesses, as matters which are already decided by ordinary resolution are not affected.

### 5.2.13 Occupational health and safety incident or breach

Notwithstanding any preventative measures, due to the nature of the Merged Group's operations, it will be exposed to a risk of workplace accidents or unsafe operations. A health and safety incident could lead to harm or injury to the Merged Group's employees, contractors or other parties (including the public).

The Merged Group's wholesale and distribution operations will be characterised by a labour-intensive workforce in warehouses and distribution centres. The nature of work involves manual, repetitive tasks, use of machinery, working at heights and includes order picking, packing and transportation, which pose inherent risks to the safety and well-being of the Merged Group's employees and contractors. The nature of the Merged Group's workforces may lead to challenges in managing occupational health and safety effectively.

The Merged Group's safety protocols may not be implemented consistently or strictly adhered to across the Merged Group's operations. If the Merged Group's safety measures are ineffective, this could result in loss of life or work-related injuries, impacting the emotional and physical health of the Merged Group's employees or contractors and leading to increased absenteeism, decreased productivity, compensation payments, fines and other legal liability. Other consequences could include regulatory scrutiny, litigation, fines and increased compliance costs (including increased insurance premiums), loss of business and reputational damage. Any of these could have a material adverse effect on the Merged Group's financial or operating performance.

### 5.2.14 Impact of adverse economic conditions, negative consumer sentiment or unfavourable market and consumer trends

Adverse economic conditions, including unfavourable interest rates, unemployment rates or inflation rates, negative consumer and business sentiment as well as geographical and political events may affect the Merged Group's business.

These adverse economic conditions are outside of the Merged Group's control, but may have a negative impact on the discretionary spending habits of consumers (which in turn may impact demand for FOS goods from the Merged Group) or of franchisees or customers of the Merged Group itself. This may result in a significant decrease in demand for and revenue generated by the Merged Group's products and services, or impact the success of franchisees' or the Merged Group's growth plans.

The Merged Group will also be exposed to the risk that market and consumer trends and demand in relation to products or services supplied by it (including in the case of Chemist Warehouse, demand from suppliers for advertising and marketing services) may change. The Merged Group may be slow or unable to anticipate changing trends and respond in a timely fashion; it may not optimise its product offerings by stocking too wide a range, or stocking products which could be costly to service. Any unanticipated changes or fluctuations in market and consumer behaviour and trends, or inadequate responses to them, may result in a reduction in the Merged Group's revenue and the number of pharmacy customers and franchisees it attracts and retains, which may have a material adverse effect on its financial performance and financial position.

### 5.2.15 Failure to achieve expected growth in store roll-outs and the potential loss of franchisees

Sigma and Chemist Warehouse have identified a number of potential areas of growth to drive sales in the Merged Group post Implementation, which includes continuing to pursue opportunities for growing the Merged Group's Retail Network in Australia and overseas. For example, Sigma has previously announced a target of reaching 300 Amcal and 150 DDS franchisees. There is a risk the Merged Group may not be able to successfully execute its growth plans or that doing so may take longer or cost more than anticipated including by reason of the Merger Undertaking, which will impact its future financial prospects and position. For example, the store roll-out plan may be impacted by a number of factors, including the availability of new franchisees or the ability to attract existing franchisees from other franchisors, the ability for new franchisees to obtain financing (including from EYFS – see further information in Section 3.6.1 of the Merged Group section) to fund the acquisition of the stores, suitable sites in target locations and regulatory restrictions.

If the Merged Group fails to execute on its growth strategies, including to achieve the expected growth in store roll-outs, and associated expected increase in FOS goods sales and other revenue, it may experience adverse financial impacts, potential reputational damage, and the risk that the Merged Group becomes uncompetitive in the market. Any of these could have an adverse effect on the Merged Group's financial performance.

Sigma is currently seeking to transition its PharmaSave banner brand pharmacies to its Amcal and DDS brands in addition to growing the number of pharmacies under the Amcal and DDS brands. Between the announcement of the Transaction on 11 December 2023 and 30 September 2024, Sigma's Franchise Network has reduced by approximately 47. Further details regarding the rationalisation of the PharmaSave banner brand are set out in Section 3.2.6. There is a risk that Sigma (and later, the Merged Group) may not be successful in seeking to transition all PharmaSave franchisees (who may move to competing franchisors or alternative service providers), or that doing so will take longer or cost more than anticipated, which will impact revenue and sales.

There is a risk that Implementation of the Transaction may result in a further loss of franchisees of the Merged Group, whether because of the franchisees' negative sentiment towards Chemist Warehouse or Sigma in the market or otherwise, which may be facilitated by the Merger Undertaking, which includes commitments not to prevent or hinder any Sigma franchisees who signed an agreement with Sigma prior to 1 July 2024 from terminating their franchise arrangements or any other agreements with Sigma for a period of 3 years from Implementation. There is also a risk that the Merged Group may lose franchisee pharmacies whose arrangements have expired or are being held over, including to competing franchisors or alternative service providers. If there are losses of franchisees, there could be a reduction in expected growth of the Merged Group, which could have a material adverse effect on the Merged Group's financial performance or position.

### 5.2.16 Loss of critical infrastructure

If the Merged Group were to lose critical infrastructure, this could cause significant business interruption. The loss of a critical site, such as a wholesale distribution centre, permanently or for a sustained period could be as a result of a number of unforeseen factors, including floods, fires, pandemics or other disasters or climate-related events. There could also be an unforeseen outage due to a cyber-attack (refer to the risk factor titled 'Cyber risk' for more further information). There is an associated risk that the Merged Group's business continuity plans will not be effective or will not be followed properly in the event of a disaster.

The impact of such a loss may not be adequately covered by insurance and could include the need for increased short-term or contract labour, inventory replacement costs, data loss, significant disruptions for customers (and the consequential reputational damage to the Merged Group), the need for capital expenditure or repair costs. It could also impact on the affected Merged Group's ability to deliver products in full and on time to its customers, which could result in lost sales, contractual or regulatory breaches, or negatively impact upon the Merged Group's competitive position. Any of these could have a material adverse effect on the Merged Group's financial operations or performance.

### 5.2.17 Risks inherent in franchise arrangements, including protections under franchising laws and Australian and international pharmacy ownership laws

The Merged Group's financial performance will be dependent to varying degrees on the success of its franchisees as described below. Pharmacies which operate under the Merged Group's licensed brands will operate within competitive environments and there is a risk that franchisees do not operate their franchise effectively, or in accordance with their franchise agreement. It is not guaranteed that franchised pharmacies will be operated to a uniformly-high standard, nor that consumers will experience a uniform in-store experience, and this could have adverse implications for the Merged Group franchisor, including reputational damage, regulatory investigation or sanction or reduced revenue from franchise fees or wholesale purchases.

Although the Merged Group's franchisees will be or may be incentivised to acquire certain products or volumes from their relevant Merged Group franchisor, there will be no legal obligation on them to do so. There is a risk that franchisee pharmacies may reduce or cease their level of ordering of products or services provided by the Merged Group, prompted by a pharmacist's desire for change or by the performance, service or offerings of the Merged Group. This could have a material adverse effect on the Merged Group's financial performance.

In addition, if a franchisor has a significant degree of influence or control over a franchisee entity's employment and payroll-related affairs and the franchisee breaches a civil remedy provision under the *Fair Work Act 2009* (Cth) (**FWA**) (such as failing to pay wages correctly, contravening a modern award or enterprise agreement, misrepresenting independent contractor arrangements or other claims), then the franchisor may be exposed to penalties for breaching the FWA and ordered to pay compensation (such as unpaid wages) to the franchisee's employees, unless the franchisor can prove they have taken reasonable steps to prevent the contravention by the franchisee.

As franchisees, these pharmacies have certain statutory protections under the Franchising Code, which is a mandatory industry code under the CCA. The Franchising Code prohibits certain terms being included in franchise agreements and imposes substantial disclosure regimes, as well as imposing a general obligation on franchisors and franchisees to act towards each other in good faith. The franchisor may be exposed to regulatory action and substantial penalties for breaching the Franchising Code. Changes to the Franchising Code under the remade Franchising Code which will come into effect from 1 April 2025 will increase the regulatory obligations on franchisors and the financial penalties for non-compliance.

Additionally, pharmacy franchisees may seek to argue that elements of their agreements with their franchisor and/or supplier are illegal or void under Australia's pharmacy ownership laws, and therefore unenforceable (which may involve a claim by pharmacy franchisees that certain historical fees received under franchise or other arrangements should be repayable or that future fees should be reduced). If the Merged Group is in a dispute with a franchisee or a group of franchisees, the position adopted by the franchisee or the group of franchisees may include additional claims under pharmacy ownership laws (which may not be available to non-pharmacy franchisees), which may make the dispute more protracted or difficult to resolve in a manner satisfactory to the Merged Group.

### 5.2.18 Risks associated with loss or unavailability of key talent and labour force

The Merged Group will rely on the experience, expertise and knowledge of specific individuals and the loss or unavailability of key team members from the business could significantly impact the business' operations, strategic decision-making, reputation and overall performance.

Existing management personnel of each of Sigma and Chemist Warehouse have extensive experience in, and knowledge of, the pharmacy industry, as well as knowledge of their respective businesses and relationships with its franchisees and key suppliers. The loss or absence of key individuals from either business post-Implementation could potentially lead to disruptions in supplier relationships, regulatory knowledge, customer interactions and day-to-day management, any of which could potentially affect the Merged Group's ability to adapt to market changes and capitalise on opportunities. Whilst it is expected that the Merged Group will have succession planning measures in place, including talent development, there can be no assurance that appropriately skilled personnel would be identified and retained in a timely fashion (particularly as competition for personnel and key talent is high in this landscape), nor that the transition to new leadership would be without disruption to the business. Furthermore, the success of the Merged Group will be linked to the success of its franchisees, such that similar considerations exist with respect of their retention and ability to attract key employees.

Furthermore, the Merged Group will have operations internationally, some of which are structured as joint venture or similar arrangements with locally qualified pharmacists, who have a key role in managing the operations of the business in the relevant overseas jurisdiction, and whose involvement is in some cases required to ensure compliance with local pharmacy laws. For example, in New Zealand, a minimum level of shareholding and control by pharmacists applies to each company that operates a retail pharmacy. The loss, unavailability, de-registration or disqualification from acting as pharmacist or a director of a joint venture partner could significantly impact that business' reputation, operations, strategic decision-making and overall performance, or result in costs or delays as a result of needing to restructure the joint venture arrangements or the need to introduce, or increase the holdings of, other local pharmacists to ensure regulatory compliance.

Outside of key management, the Merged Group's business will be labour intensive and require a significant number of personnel to operate efficiently (including in relation to the respective wholesaling, marketing, logistics, franchising and the online retail aspects of the Merged Group's business). Given the tight labour market conditions in Australia and the high level of demand for employees, there is a risk that the Merged Group could be unable to secure the staff that it requires, which may have adverse impacts on the Merged Group's operational stability and performance. In addition, the geographic location of some of the Merged Group's operations have small labour pools with heightened competition from other local businesses, which can make it more difficult to attract and retain labour.

If the Merged Group is unable to attract and retain a sufficient number of qualified employees at reasonable costs, its business and operations could be negatively affected. There can be no assurance that the Merged Group will be able to retain employees in key positions or recruit a significant number of new employees with appropriate technical qualifications to compensate for the loss of employees or to accommodate its future growth. The ability to meet labour needs while controlling costs associated with hiring and training new employees is subject to external factors including the actions of other businesses, unemployment rates, prevailing wage legislation (including applicable awards), the industrial relations landscape and changing demographics. There is a risk that adverse changes in these factors may occur which would inhibit the Merged Group or its franchisees' ability to hire and retain employees or increase the cost of employing them.

The consequences for the Merged Group include financial loss, business continuity issues, increased costs associated with recruiting and training, and increased health and safety risks, any of which could adversely impact the Merged Group's competitive position, financial performance or reputation.

### 5.2.19 Risks associated with related parties

As described in detail in Section 6.6, the Existing Related Party Arrangements and Future Related Party Dealings were approved by Sigma Shareholders at the Sigma Shareholder Meeting. The Existing Related Party Arrangements include supply, lease and franchise arrangements with Existing Related Person Franchisees. Key individuals currently within the management team at, or on the board of, Chemist Warehouse, including Mario Verrocchi, Jack Gance, Damien Gance and Danielle Di Pilla (who will all be directors of Sigma following the Implementation Date) are also key franchisees of Chemist Warehouse. Together with Sam Gance (who will be a substantial shareholder of Sigma following Implementation) and Sasha Robertson (the spouse of Damien Gance), these individuals (or entities associated with them) have an interest in 180 of the Chemist Warehouse franchisee pharmacies in Australia (of which there are 573 in total as at 6 December 2024), and these pharmacies make a contribution to Chemist Warehouse's revenue (in FY24 they constituted approximately 25% of the revenue of Chemist Warehouse). Other members of management of Chemist Warehouse may also be significant franchisees, and it is also the case that currently, the majority of Chemist Warehouse franchisees are Chemist Warehouse Shareholders (and therefore will become shareholders in Sigma following Implementation).

As noted in Section 6.6, the Existing Related Party Arrangements (and the Related Party Governance Framework pursuant to which future related party arrangements may be implemented without subsequent Sigma Shareholder approvals) were approved by Sigma Shareholders at the Sigma Shareholder Meeting. To the extent Mario Verrocchi, Jack Gance, Damien Gance, Danielle Di Pilla, Sam Gance or Sasha Robertson, or their associates held Sigma Shares at the Sigma Shareholder Meeting, they were not entitled to vote on resolutions relating to these related party arrangements. The Related Party Governance Framework, pursuant to which Future Related Party Dealings (which includes amendments to and renewals of the Existing Related Party Arrangements) may be approved, is also required to be re-approved by Sigma Shareholders every 6 years at the relevant AGM. As noted above, the Merged Group will, following Implementation, receive a material portion of its revenue from payments made by Related Party franchisees to the Merged Group. If the Future Related Party Dealings are not re-approved by Sigma Shareholders in the future, then there is a risk that the Merged Group will not continue to receive this revenue, which may impact the financial and operating performance of the Merged Group.

Furthermore, certain current directors and members of management of Chemist Warehouse have other relationships with the Chemist Warehouse Group, for example through interests in properties leased by the Chemist Warehouse Group (including for store premises and a warehouse) or as suppliers to the Chemist Warehouse Group (the persons mentioned above have property interests under which they received rents of approximately $41.9 million in aggregate from Chemist Warehouse in FY24). Further detail on the related party arrangements are set out in Section 6.6.

There are a number of risks associated with these interrelationships, including:

- if the strength of the alignment of interest between the Merged Group and the Existing Related Persons mentioned above diminishes as a result of the Transaction or for other reasons (for example, due to sales of Sigma Shares by those persons following Implementation (subject to any voluntary escrow agreements applicable to their Sigma Shares)) this may impact on the success of the Merged Group and its franchisees, the financial performance of the Merged Group and the price of Sigma Shares;
- the loss of key individuals (for example due to illness or retirement) may impact the Merged Group both directly and indirectly through impacts to its franchisees. Any inability to replace key franchisees with suitable candidates may impact the Merged Group and any replacement franchisees may not have the same alignment of interest with the Merged Group as the outgoing franchisee. This may lead to loss of franchisees or a reduction in the performance of franchisees, which would in turn impact the financial performance of the Merged Group following Implementation;
- following Implementation, the Existing Related Persons are expected to hold a substantial portion of Sigma Shares on issue, and Chemist Warehouse Shareholders, the majority of whom are also franchisees, will hold approximately 85.75% of the Sigma Shares on issue.[157] As such, these shareholders may be in a position to exercise influence over matters requiring the approval of Sigma Shareholders following Implementation (including but not limited to the election of directors and the approval of significant activities of the Merged Group). The interests of these shareholders may differ from the interests of other Sigma shareholders and this may adversely affect those other shareholders; and
- approximately 48% of the Merged Group's shares will be held by the Chemist Warehouse Founders or entities controlled by them. Should Chemist Warehouse Founders choose to act in concert or find their interests aligned, their combined voting power may be able to block special resolutions of Sigma Shareholders and pass or block ordinary resolutions of Sigma Shareholders. The interests of the Chemist Warehouse Founders may differ from the interests of other Sigma Shareholders, and this may adversely affect those other shareholders.

### 5.2.20 Delivery of strategic initiatives (projects/acquisitions)

The Merged Group will evaluate strategic initiatives, including acquisitions, from time-to-time. There is no guarantee that the strategic initiatives will be implemented, or if they are, that the anticipated benefits of any such strategic opportunities or acquisitions will be fully realised or realised in a timely manner. If this occurs, then the expected revenue increases, costs savings or additional operational improvements or synergies may not be achieved or may be delayed.

Where the Merged Group acquires another business, that acquired business may not perform as anticipated (including in relation to product or service quality issues) or may be exposed to latent, future or otherwise unknown claims or liabilities that the Merged Group is not indemnified for, or there may be features of the acquired business' model that the Merged Group is less experienced with or that the Merged Group intends to amend.

The consequences for the Merged Group if it fails to deliver on its key strategic projects and integrate its acquisitions successfully include inefficiencies, adverse financial impacts, potential reputational damage, and the risk that the Merged Group becomes uncompetitive in the market. Any of these could have an adverse effect on the Merged Group's financial performance.

157. On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation and Completion). For the purposes of this calculation, this includes, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, 117,940 Sigma Shares (see Figure 46).

### 5.2.21 Changes in consumer perception and consumer confidence

The success of each of the Merged Group's businesses and the businesses of pharmacies which carry their licensed brands will rely on positive consumer perception and consumer confidence in the Merged Group and its brands. The Merged Group's reputation and its potential profitability may be adversely affected by negative publicity or adverse commentary on product or service safety or suitability.

For example, any potential inconsistencies in the quality of services in the Merged Group's franchisee pharmacies, adverse media coverage, product recalls or liability claims, unavailability of products or other issues may lead to consumers having compromised experiences. This in turn may have a detrimental effect on customer confidence and loyalty.

Any damage to the Merged Group's reputation could have an adverse effect on its ability to maintain its market share, financial performance and future prospects.

### 5.2.22 Evolving expectations with respect to environmental, social and governance (ESG) standards

Evolving community attitudes towards, and increasing regulation and disclosure in relation to, ESG issues may impact the operation of the Merged Group's business. There is a risk that the Merged Group may fail to keep up to date with any changes to, or the introduction of, ESG-related regulations, which may impact operations. In addition, changes to such regulations may significantly increase costs, such as those relating to ESG compliance and reporting obligations for the Merged Group. In addition, there may be supply chain disruptions or other operational disruptions due to changes imposed by the Merged Group or by counterparties to comply with the ESG-related regulations or policies, including for example changing suppliers as a result of complying with modern slavery policies, which may have an adverse effect on the Merged Group's business, financial position and prospects.

Increased expectations with respect to ESG may result in heightened compliance costs associated with meeting prevailing regulatory and disclosure standards. Failure to meet those expectations may impact on the profitability or value of the Merged Group's business, restrict the Merged Group's ability to attract financing or investment, or adversely impact on the reputation of the Merged Group including with its suppliers, franchisees, customers or employees, which may in turn adversely impact the Merged Group's business, financial position and prospects.

### 5.2.23 Inadequate insurance coverage

Chemist Warehouse and Sigma have in place insurance policies for a range of events within coverage ranges determined by their respective boards. Upon Implementation, the Merged Group Board will consider the insurance coverage of the Merged Group and ensure it has what it believes are adequate levels of insurance. However, there is a possibility that events may arise which are not adequately covered or not covered at all by the existing Chemist Warehouse insurance policies (for example, Chemist Warehouse does not have cyber or product recall insurance coverage) or Sigma insurance policies or the future Merged Group's insurance policies.

The Merged Group cannot guarantee that any required insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims, which could have a negative impact on the financial results and prospects of the Merged Group.

### 5.2.24 Exposure to litigation, regulatory action or investigation, claims and disputes

The Merged Group, its employees, or persons or entities associated with it may be subject to litigation and other claims, investigations and disputes in the course of its business or otherwise, including but not limited to regulatory action or investigations, employment disputes (including strikes or industrial action), contractual disputes (including outstanding trade debts or, indemnity claims), product liability claims, personal injury claims, privacy breaches, intellectual property, debt recovery, regulatory compliance, occupational health and safety claims, or criminal or civil proceedings.

There is a risk that any such litigation, regulatory action or investigations, claims and disputes could materially and adversely affect the Merged Group's business, operations and financial position, performance and prospects, including as a result of the costs of bringing, defending or settling such litigation, claims or responding to investigations, shareholders, managers or employees of any entity associated with the Merged Group being adversely affected by such litigation, claims or investigations and being unavailable, de-registered or disqualified from acting as a pharmacist, director or shareholder of any such entity as a result, as well as the impact on the Merged Group's reputation and regulator and other stakeholder relations. Litigation or investigations may also distract management's attention from operating and growing the Merged Group's business, impacting the Merged Group's prospects and profitability.

One such matter is an ongoing investigation by ASIC in connection with trading by an individual involved in Chemist Warehouse's business (who is not a member of the proposed key management personnel of the Merged Group and is not critical to the operations of the Merged Group) in Sigma Shares prior to announcement of the Transaction. To date, no allegations have been made by ASIC against Chemist Warehouse or Sigma and ASIC is not investigating Chemist Warehouse or Sigma. No indication has yet been provided by ASIC that any final action will be taken in relation to the matters being investigated. Ultimately a range of negative consequences for the Merged Group, including reputational consequences may eventuate.

## 5.3 Risks Relating to the Transaction

### 5.3.1 Scrip component of merger consideration

As part of the Transaction, Chemist Warehouse Shareholders will receive consideration in the form of fully paid ordinary shares in Sigma.

Immediately after Implementation, it is expected that existing Sigma Shareholders will own 14.25% of the shares in the Merged Group whereas Chemist Warehouse Shareholders will own approximately 85.75% of the shares in the Merged Group (on a fully diluted basis).[158] The merger ratio was fixed in the Merger Implementation Agreement and will not be adjusted to reflect changes in the market price of Sigma Shares before the Implementation Date. The price of a Sigma Share at the Implementation Date will vary from its price on the date on which the Merger Implementation Agreement was executed, on the date of this Prospectus and on the date of the Scheme meeting. Therefore, because the merger ratio is fixed, prior to the Implementation of the Transaction, Chemist Warehouse Shareholders cannot be sure of the market value of the Sigma Shares to be issued as a part of the Scheme Consideration that will be issued to Chemist Warehouse Shareholders on the Implementation Date.

In addition, there is a risk that a significant sale of shares by Chemist Warehouse Shareholders after Implementation of the Transaction (in relation to shares which will not be escrowed) or at the end of the escrow restrictions (in relation to the Escrowed Shares), or the perception that such a sale might occur, could adversely impact the price of Sigma Shares. For further information on the Escrow Arrangements that will be in place post-Implementation of the Transaction, refer to Section 9.8. See also the risks associated with related parties above.

### 5.3.2 Tax consequences for Chemist Warehouse Shareholders

If the Transaction is implemented, there may be tax consequences for Chemist Warehouse Shareholders.

The tax treatment may vary depending on the nature and characteristics of each Chemist Warehouse Shareholder and their specific circumstances.

Accordingly, Chemist Warehouse Shareholders should seek independent professional tax advice in relation to their particular circumstances.

For further information about the general Australian tax consequences of the Transaction, refer to Section 9.13 of this Prospectus.

### 5.3.3 Reliance on information provided

Each of Chemist Warehouse and Sigma undertook a due diligence process in respect of the Transaction, which relied in part on legal, financial, taxation, synergies and operational due diligence on information provided by or on behalf of the other party. If any such information provided to, and relied upon by, each of Chemist Warehouse and Sigma in its due diligence, and in its preparation of the Prospectus and other materials given to ASX and ASIC, proves to be incorrect, incomplete or misleading, or if any of those due diligence enquiries failed to identify potential issues, there is a risk that the actual financial position and performance of Sigma or Chemist Warehouse may be materially different to Chemist Warehouse or Sigma's respective understanding, or the realisable synergies from the Transaction will be less than anticipated including those reflected in the Prospectus. Either of these could have a material adverse effect on the Merged Group's financial condition or performance.

There is also a risk that the due diligence conducted has not identified issues that would have been material to the decision to enter into the Transaction. A material adverse issue that was not identified prior to entry into the Transaction (or an issue that later proves to be more material than first anticipated) could have an adverse impact on the reputation, financial performance or operations of Chemist Warehouse or Sigma (for example, Chemist Warehouse or Sigma may later discover liabilities or defects which were not identified through due diligence, are more than initially identified through due diligence, or for which there is no contractual protection). Due diligence cannot uncover all potential issues or historical non-compliance by Chemist Warehouse or Sigma, and reliance has, by necessity, been placed by those undertaking due diligence on the accuracy of information and confirmations provided by Sigma or Chemist Warehouse and their respective representatives.

Further, as is usual in undertaking mergers and acquisitions, the due diligence process undertaken identified a number of risks associated with each of Sigma and Chemist Warehouse, which Chemist Warehouse and Sigma respectively had to evaluate and manage. Certain risks cannot be avoided or managed appropriately and the mechanisms used to manage these risks included in certain circumstances the acceptance of the risk as tolerable on commercial grounds such as materiality. There is a risk that the approach taken by Chemist Warehouse or Sigma may be insufficient to mitigate the risk, or that the materiality of these risks may have been underestimated or unforeseen or for which there is no contractual protection, and hence they may have a material adverse impact on the Merged Group's operations, earnings and financial position.

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158. On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation and Completion). For the purposes of this calculation, this includes, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, 117,940 Sigma Shares (see Figure 46).

### 5.3.4 Integration risk and realisation of synergies

The integration of two businesses of the size and nature of Sigma and Chemist Warehouse carries risk, including potential delays or costs in implementing necessary changes and difficulties in integrating various operations and systems. The success of the Transaction, and the ability to realise the expected benefits of the Transaction outlined in the Prospectus, is dependent on the effective and timely integration of the Sigma and Chemist Warehouse businesses following Implementation. There is a risk that integration could take longer, be more complex or cost more than expected, encounter unexpected challenges or issues (including differences in corporate culture, loss of, or reduction in, key personnel, expert capability or employee productivity, or failure to procure or retain employees of Chemist Warehouse or Sigma, require changes to operating models, or loss of existing Sigma or Chemist Warehouse franchisees), or divert the attention of management, which impact on the integration process (which in turn could cause the anticipated benefits and synergies of the integration of Sigma and Chemist Warehouse being less than estimated).

A failure to integrate the businesses in the time and manner contemplated by the parties or a failure to achieve the targeted synergies of integration may impact on the financial performance, operation and position of the Merged Group. Furthermore, Chemist Warehouse will be the most material part of the Merged Group's business upon acquisition. If the Chemist Warehouse business does not perform as expected, this could have a material adverse impact the Merged Group's financial position and performance.

### 5.3.5 The Merged Group Pro Forma Historical Financial Information is presented for illustrative purposes only and may not be indicative of the results of operations or financial condition of the Merged Group following Implementation

The Merged Group Pro Forma Historical Financial Information included in Section 4 is presented for illustrative purposes only to show the effect of Implementation, and should not be considered to be an indication of the financial condition or results of operations of the Merged Group following Implementation. For example, the Merged Group Pro Forma Historical Financial Information has been prepared using the historical consolidated financial statements of Chemist Warehouse and of Sigma for certain specific periods and do not represent a financial forecast or projection. The Merged Group Pro Forma Historical Financial Information in Section 4 is based in part on certain assumptions regarding the Transaction and certain adjustments and assumptions have been made regarding the Merged Group after giving effect to the Transaction. The information upon which these adjustments and assumptions have been made is preliminary, these types of adjustments and assumptions are difficult to make with complete accuracy, and other factors may affect the Merged Group's results of operations or financial condition following Implementation of the Transaction. For example, due to the fact that Sigma and Chemist Warehouse have differing financial year ends, the Merged Group Pro Forma Historical Financial Information has been prepared by combining information relating to slightly differing financial periods on the basis this does not result in any material misstatement of that information (see Section 4.2 for further explanation of the basis of preparation of this financial information).

In addition, in preparing the Merged Group Pro Forma Historical Financial Information, effect has been given to, among other things, implementation of the Transaction and the issuance of the Scheme Consideration. The Merged Group Pro Forma Historical Financial Information does not reflect all of the costs that are expected to be incurred in connection with the Transaction. For example, the impact of any incremental costs incurred in integrating Chemist Warehouse and Sigma is not reflected in the Merged Group Pro Forma Historical Financial Information. See the notes to the Merged Group Pro Forma Historical Financial Information in Section 4 for further details.

Accordingly, the Merged Group Pro Forma Historical Financial Information does not represent the Merged Group's results of operations and financial condition had Chemist Warehouse and Sigma operated as a combined entity during the periods presented, or of the Merged Group's results of operations and financial condition following Implementation of the Transaction. The actual financial condition and results of operations of the Merged Group following Implementation may not be consistent with, or evident from, the Merged Group Pro Forma Historical Financial Information. In addition, the assumptions used in preparing the Merged Group Pro Forma Historical Financial Information may not prove to be accurate, and other factors may affect the Merged Group's financial condition or results of operations following Implementation of the Transaction. Any potential decline in the Merged Group's financial condition or results of operations may cause a significant decrease in the Sigma Share price.

### 5.3.6 Historical liabilities

If the Transaction completes, Chemist Warehouse or Sigma may become directly or indirectly exposed to liabilities that Sigma or Chemist Warehouse respectively may have incurred or is liable for in the past as a result of prior acts or omissions, including liabilities which were not identified during the due diligence enquiries or which are greater than expected, or for which were accepted as a tolerable risk. Such liabilities may adversely affect the financial performance or position of the Merged Group after the Transaction.

Each of Sigma and Chemist Warehouse has its own corporate, tax, regulatory and risks frameworks. Following an initial period, the Merged Group will make an election as to the most appropriate corporate, tax, regulatory and risk frameworks to adopt. However, there is a risk that either Sigma or Chemist Warehouse's existing frameworks were inadequate. For example, if either Sigma or Chemist Warehouse's tax and regulatory frameworks were inadequate, there is a risk that either Sigma or Chemist Warehouse has not properly identified and responded to changes in tax laws or other laws and regulations which apply to it.

There is a risk that either Sigma or Chemist Warehouse could be exposed to unexpected liabilities resulting from past non-compliances with applicable laws or regulations, which may impact on the financial performance or position of the Merged Group. It may also have other impacts, such as attracting greater scrutiny from regulators or cause reputational damage.

### 5.3.7 Analysis of merger opportunity

Each of Chemist Warehouse and Sigma has undertaken financial, tax, legal, commercial and technical analysis of Sigma and Chemist Warehouse respectively in order to determine its attractiveness and whether to proceed with the Transaction. It is possible that despite such analysis and the best estimate assumptions made by Chemist Warehouse or Sigma, the conclusions drawn are inaccurate or are not realised. To the extent that the actual results achieved by the Transaction are different to those indicated by Chemist Warehouse's or Sigma's analysis, there is a risk that the performance of the Merged Group following the Transaction may be different (including in a materially adverse way) from what is reflected in this Prospectus. There is also a risk that Chemist Warehouse or Sigma's assessment of matters such as the taxation consequences of the Transaction is challenged by revenue authorities, which can involve future expenditure to consider and defend such challenges or to meet any additional costs or claims.

### 5.3.8 Risks associated with existing contractual arrangements

A number of material customer and supplier contracts to which Chemist Warehouse or Sigma are a party contain provisions which will give the counterparty a right to terminate the contract because of the change in control of Chemist Warehouse or Sigma (respectively) which will occur at Implementation. A number of material customer and supplier contracts to which Chemist Warehouse or Sigma is a party may also be terminable for convenience on short notice or at will.

Whilst the Merger Implementation Agreement includes obligations for Sigma and Chemist Warehouse to seek the consent of the relevant counterparties to the change of control for certain contracts (including leases) deemed material as agreed between Sigma and Chemist Warehouse, there is a risk that either Chemist Warehouse or Sigma has not identified all contracts which are material to their respective businesses and neither Chemist Warehouse nor Sigma is entitled to terminate the Merger Implementation Agreement for failure to obtain those consents. Investors should note that, generally, supply contracts with franchisee pharmacies do not include minimum purchase obligations, such that a customer may, at any time, decrease the volume of goods and services procured from or provided to the Merged Group, or cease to procure or provide any goods or services at all, regardless of any change of control provision.

There is a risk that, as a result of the Transaction, customers and suppliers of Chemist Warehouse or Sigma may choose to decrease the volume of goods and services procured from or provided to Chemist Warehouse or Sigma, or cease procuring from or providing any goods or services to Chemist Warehouse or Sigma, or otherwise preference procuring from or providing goods and services to competitors of Chemist Warehouse or Sigma. Customers and suppliers may also choose not to renew their contracts with Chemist Warehouse or Sigma after their term or seek to renegotiate the terms of their contracts in an adverse manner, as a result of the Transaction. The breach, termination or non-renewal of material contracts or loss of business could have adverse consequences for the Merged Group, including adverse effects on the Merged Group's operational and financial performance.

### 5.3.9 Funding

As described in Section 9.9, it is intended that the cash component of the consideration for the Transaction (**Scheme Cash Consideration**) will be funded through the proceeds of new Banking Facilities. Net debt of the Chemist Warehouse Group on the Implementation Date of c.$300 million will also be refinanced from the proceeds of the Banking Facilities.

If the Banking Facilities are terminated or are otherwise not available for drawing, this could result in Sigma not having access to sufficient capital to fund the Transaction. As at the Prospectus Date, the Banking Facilities contains outstanding conditions precedent to drawdown on terms that are customary for a financing of this nature or are otherwise required by the relevant financiers, being conditions that can only be satisfied on execution of full form documents or on Implementation. In the event the conditions precedent are not satisfied prior to the Implementation Date, Sigma would need to seek alternative sources of funding, which may result in Sigma incurring additional costs (for example, by way of interest payments on debt) and/or restrictions being imposed on the manner in which Sigma conducts its business and deals with its assets (for example, by way of restrictive covenants binding upon Sigma). There is no guarantee that alternative funding could be sourced on terms satisfactory to Sigma or at all. Any of these outcomes could have a material adverse impact on the Merged Group's financial position, prospects and reputation.

### 5.3.10 Increased leverage of Sigma as a result of the Transaction

Sigma intends to fund the cash component of the consideration payable to Chemist Warehouse Shareholders under the Transaction by drawing down on the Banking Facilities. This will result in an increase to Sigma's gearing ratio, which creates a level of financial risk. An increase in leverage could adversely affect the Merged Group's cost of funds and related margins, competitive position and its access to capital and funding markets.

Changes in interest rates will affect borrowings which bear interest at floating rates such as the Banking Facilities, to the extent the Merged Group does not hedge this risk. An increase in interest rates will affect the Merged Group's cost of servicing these borrowings which may adversely impact its business and financial performance.

Further, should the Merged Group experience a decrease in its revenue or profitability in the future, it may be forced to lower the amount of dividends to shareholders (or cease paying dividends), issue new shares or sell assets to reduce its debts and avoid being in breach of its financing arrangements (including financial covenants).

### 5.3.11 Integration of accounting policies

Sigma and Chemist Warehouse, as standalone entities, have exercised judgement in applying accounting policies which is fundamental to how they record and report their financial position and results of operations and which might have been reasonable in the circumstances yet might have resulted in reporting different outcomes than would have been reported under the other company's policies and methods. In preparing the Merged Group Pro Forma Historical Financial Information in Section 4.4, Sigma and Chemist Warehouse have exercised judgment in aligning accounting policies, which are considered reasonable in the circumstances yet might have resulted in reporting different outcomes than would have been reported under the Merged Group's policies. The alignment of Chemist Warehouse and Sigma's accounting policies may adversely impact the Merged Group's reported results of operations and/or financial position and performance. Year-end reporting periods will be aligned post Implementation of the Transaction.

### 5.3.12 Foreign exchange risk and foreign regulations

The Transaction includes the acquisition of controlling interests in overseas entities that operate in New Zealand, Ireland and Dubai and also the acquisition of operations in China. These entities transact in the local currencies of the countries in which they are domiciled. The value of a financial asset, liability, commitment or earnings held or transacted in foreign currency may be impacted by changes in currency exchange rates.

The overseas operations of Chemist Warehouse are also subject to the laws of those countries and could be adversely impacted by changes to laws or regulations in those countries in the future.

## 5.4 General Investment Risks

### 5.4.1 Future dilution risk

Sigma Shareholders (including Chemist Warehouse Shareholders post-Implementation) may have their investment diluted by future capital raisings by the Merged Group. While the Merged Group will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12-month period (other than where exceptions apply), its shareholders may be diluted as a result of such fundraisings and may experience a loss in value of their equity as a result of such issues of shares and fundraisings.

### 5.4.2 Share price, liquidity and Escrowed Shareholders

Sigma is, and the Merged Group will be, subject to the general market risks inherent in all securities traded on a stock exchange. The market price for Sigma Shares may fluctuate over time as a result of a number of factors, including its financial performance and prospects, prevailing market conditions, commodity prices and foreign exchange movements, general investor sentiment, inflation, geo-political conditions, fiscal policy and interest rate rises, as well as the liquidity and volume of the shares being bought or sold at any point in time.

Sigma Shares may therefore rise above or below the current share price, or the Offer Price, depending on its financial performance and various other factors which are outside of its control.

It is expected that following Implementation, the Escrowed Shareholders will hold c.48% of the Sigma Shares. The Escrowed Shareholders will be subject to voluntary Escrow Arrangements in relation to all of their Shares as described in Section 9.8. These arrangements may cause, or at least contribute to, limited liquidity of the Sigma Shares and impact their market price. Furthermore, the prospect of sell downs by the Escrowed Shareholders following the end of the Escrow Period could adversely affect the price of Sigma Shares.

### 5.4.3 Force majeure events

Events beyond the control of the Merged Group may impact its operations and future profitability. These events include (but are not limited to) fire, flood, earthquake, other natural disasters, pandemics, outbreaks of disease, civil unrest, war, terrorist attack, an outbreak of international hostilities, industrial action or other man-made or natural events or occurrences that can have an adverse effect on the ability of the Merged Group to conduct business. The Merged Group will only have a limited ability to insure against some of these risks.

### 5.4.4 Australian Accounting Standards may change

Australian Accounting Standards are set by the AASB and are outside the control of the Merged Group, the Merged Group Directors, or its senior management team.

The AASB is due to introduce new or refined Australian Accounting Standards in future periods, which may affect future measurement and recognition of key statement of income and balance sheet items, including revenue.

There is also the risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of income and balance sheet items, including revenue, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Merged Group's consolidated financial statements.

### 5.4.5 Exposure to changes in tax rules and their interpretation

Changes in tax laws and policies, standards and practices may impact on the operation of the Merged Group and its management. Tax laws in Australia are complex and are subject to change, as is their interpretation by the courts and the tax authorities. In particular, both the level and basis of taxation may change. Legal reforms and proposals for further reforms, as well as new and evolving interpretations of existing laws, may give rise to uncertainty.

In addition, an investment in Sigma Shares involves tax considerations which may differ for each Sigma Shareholder. Each investor considering an investment in the Merged Group is encouraged to seek professional tax advice in connection with any investment in the Merged Group. Refer to Section 9.13 for additional taxation considerations.

### 5.4.6 No guarantee of future dividend payments

The Merged Group Board will determine the target dividend payout ratio post Implementation, which is when the Merged Group senior management and Merged Group Board will be able to consider decisions regarding capital allocation. Details on the expected dividend policy are set out in Section 4.9.

Shareholders of the Merged Group will only be entitled to receive such dividends as the Merged Group Board may declare out of funds available for such payments. The Merged Group's ability to pay dividends will be subject to various factors, including those beyond the control of the Merged Group. Further, to the extent the Merged Group pays any dividends, there is no guarantee that the Merged Group will have sufficient franking credits to fully frank dividends or that the franking imputation system will not be varied or abolished.

### 5.4.7 Expected future events may not occur

Certain statements in this Prospectus constitute forward-looking statements. Such forward-looking statements rely on various contingencies and assumptions and involve known and unknown risks, uncertainties and other factors which may cause the Merged Group's actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors should not place undue reliance on forward-looking statements. In addition, under no circumstances should forward-looking statements be regarded as a representation or warranty by Chemist Warehouse, Sigma or the Merged Group or any other person referred to in this Prospectus that a particular outcome or future event is guaranteed.

# 6 Key individuals, interests and benefits

# 6. Key individuals, interests and benefits

## 6.1 Board of Directors

As at the date of this Prospectus, the board of Sigma comprises Michael Sammells, Vikesh Ramsunder, Chris Roberts, Neville Mitchell, Annette Carey and Kate Spargo (**Sigma Directors**).

If the Transaction completes, it is intended that Mario Verrocchi, Damien Gance, Jack Gance and Danielle Di Pilla will join the Sigma Board (**Proposed Directors**) and Kate Spargo will retire from the board. Michael Sammells will remain as Independent Non-Executive Chairman and Vikesh Ramsunder as CEO and Managing Director.

For the purposes of this Prospectus, the individuals proposed to be on the Board immediately following completion of the Transaction are the "Merged Group Directors".

Further information regarding the Sigma Directors and the Merged Group Directors is set out below.

| Director | Experience and background |
|---|---|
| Michael Sammells<br>*Independent Non-Executive Chairman* | Mr Sammells was appointed as a Director of Sigma in February 2020 and Chairman in August 2022.<br>Mr Sammells is also currently a non-executive director at AMP Limited and a director at GMHBA. He has 35 years of broad experience in finance, corporate services and has held operational roles with expertise in finance, accounting, treasury, investor relations, capital developments, mergers and acquisitions and IPOs.<br>Further, Mr Sammells is a former Chief Financial Officer of Healthscope Limited and Medibank Private.<br>*BBUs (Acc), FCPA, GAICD* |
| Vikesh Ramsunder<br>*Chief Executive Officer & Managing Director* | Mr Ramsunder commenced as the Managing Director and CEO of Sigma on 1 February 2022.<br>Mr Ramsunder has extensive experience in pharmacy retailing, wholesaling and logistics. He spent 28 Years with the Clicks Group in South Africa, a top-30 JSE listed company, and one of the largest pharmacy and retail operations in Africa. This included 18 years as part of the executive team.<br>Before becoming Clicks Group Chief Executive Officer in January 2019, Mr Ramsunder held a number of roles within Clicks, including Chief Operating Officer from 2015 and Managing Director of the pharmaceutical wholesaler business, United Pharmaceutical Distributors from 2010.<br>*B.Com (Logistics), MBL (Corporate Strategy)* |
| Dr Christopher (Chris) Roberts AO<br>*Independent Non-Executive Director** | Dr Roberts was appointed as a Director of Sigma on 6 October 2023.<br>Dr Roberts has more than 40 years' experience in the medical device industry, including as the former Chief Executive Officer of Cochlear Limited (ASX:COH) from 2004 to 2015, Executive Vice President of ResMed Inc (NYSE:RMD) from 1992 to 2003 and as a director of ResMed Inc until November 2017.<br>He is currently a non-executive director of HMC Capital Ltd (ASX:HMC). HMC Capital managed HealthCo Healthcare and Wellness REIT (ASX:HCW), HMC Capital Partners Fund 1, Clarity Pharmaceuticals Limited (ASX:CU6), Nutromics Pty Ltd, Atmo Biosciences Limited and the Cochlear Foundation Board. He is also a Governor of the Centenary Institute Cancer Medicine and Cell Biology.<br>*B.Eng (Honours), MBA, PhD* |
| Annette Carey<br>*Independent Non-Executive Director* | Ms Carey was appointed as a Director of Sigma in April 2023.<br>Ms Carey is a current non-executive director of National Intermodal Corporation and a non-executive director of the Kinetic bus group.<br>Prior to joining Sigma, Ms Carey has held director roles within the Linfox group of companies and been Chair or Deputy Chair of Australia Post joint ventures in the UK and China.<br>She has previously held various senior roles within the Linfox Logistics group, progressing from General Counsel and Company Secretary to Chief Executive Officer. Ms Carey also held the position of Executive General Manager International with Australia Post.<br>Ms Carey is a member of Chief Executive Women.<br>*LLB, BA* |

* As at the Prospectus Date, Dr Roberts is not considered independent as he is a director of HMC Capital Partners Fund 1 and HMC Capital Limited (together the **HMC Parties**) (and the HMC Parties collectively hold more than 5% of Sigma Shares as at the Prospectus Date). Following Implementation, however, the HMC Parties' shareholding in Sigma is expected to be below 5% and therefore Dr Roberts will be considered to be independent in that case. If the Scheme is not implemented, Dr Roberts will continue to be considered to be a non-independent director.

| Director | Experience and background |
|---|---|
| **Neville Mitchell**<br>*Independent Non-Executive Director* | Mr Mitchell was appointed a Director of Sigma in February 2023.<br>Mr Mitchell is a qualified Chartered Accountant with international healthcare and finance experience. He was Chief Financial Officer and Company Secretary at ASX-listed Cochlear Limited (until March 2017), a world leading medical device developer, manufacturer and seller of hearing devices.<br>Mr Mitchell is currently the Chairman of ASX and NZX-listed Fisher&Paykel Healthcare Corporation (non-executive director from November 2018) and a non-executive director of Sonic Healthcare Limited from September 2017. He is Chair of the Sonic Audit Committee. He was formerly a non-executive director of ASX-listed Sirtex Healthcare, Osprey Medical Inc and Q'Biotics Group Limited.<br>He has also performed roles with a number of industry and Government committees.<br>*B.Com, CA* |
| **Jack Gance**<br>*Proposed Non-Executive Director* | Mr J Gance is a qualified pharmacist who co-founded Chemist Warehouse with Sam Gance. He is currently Chair of Chemist Warehouse.<br>Mr J Gance qualified as a pharmacist in 1967 and opened his first pharmacy store in Reservoir, Victoria, with Sam in 1972. In 1997, Mr J Gance, Sam Gance and Mario Verrocchi, established MyChemist and opened the first MyChemist store. In 2000, Mr J Gance, along with Mr Sam Gance and Mr Verrocchi, established the Chemist Warehouse chain and opened the first Chemist Warehouse store.<br>Mr J Gance also created the brands Le Specs, Le Tan and Colours of Australis.<br>*PhC MPS, MBA, GAICD, AFAIM* |
| **Mario Verrocchi**<br>*Proposed Executive Director* | Mr Verrocchi is a qualified pharmacist who joined Jack and Sam Gance's pharmacy group in 1982. Mr Verrocchi established MyChemist with Jack Gance and Sam Gance in 1997 and subsequently created the Chemist Warehouse chain with Messrs Gance in 2000.<br>He is currently Chief Executive Officer of Chemist Warehouse.<br>*BPharm* |
| **Damien Gance**<br>*Proposed Executive Director* | Mr D Gance is a qualified pharmacist who joined My Chemist in 1998 and is currently the Chief Commercial Officer of Chemist Warehouse.<br>Mr D Gance was the first Chemist Warehouse Franchisee opening the first Chemist Warehouse pharmacy in June 2000.<br>*BPharm, MBA, GAICD* |
| **Danielle Di Pilla**<br>*Proposed Executive Director* | Ms Di Pilla is a qualified pharmacist who is currently the Chief People Officer at Chemist Warehouse.<br>Ms Di Pilla established DPP Pharmaceuticals Pty Ltd (**DPP**) in 2000 and is the founder of brands such as Goat Soap, which has had international success. Ms Di Pilla has been the managing director of DPP since it was incorporated. DPP is a wholly owned subsidiary of Chemist Warehouse.<br>Ms Di Pilla also sits on the Board of Gotcha4Life.<br>*BSc, BPharm* |
| **Kathryn Spargo**<br>*Independent Non-Executive Director* | Ms Spargo was appointed as a Director of Sigma in December 2015.<br>Ms Spargo is currently a non-executive director of the following listed entities: Sonic Healthcare Limited and Bapcor Ltd. In addition, Ms Spargo is also currently a non-executive director at CIMIC Ltd (now unlisted). Over the last three years, Ms Spargo was a non-executive director at Adairs Limited and Xenith IP Ltd. In September 2021, Ms Spargo retired from her position as Chairman of ColInvest and at the same time joined the board of the unlisted company Jellis Craig.<br>Ms Spargo is also director at the Geelong Football Club and Future Fuels Cooperative Research Centre.<br>*LLB (Honours), BA, FAICD* |

Should the Transaction complete, the proposed composition of the Merged Group Board committees and a summary of what will become the Merged Group's key corporate governance policies are set out in Sections 6.8.2 and 6.9.

Each Proposed Director above has confirmed to Sigma that they anticipate being able to perform their duties as a Non-Executive Director or Executive Director, as the case may be, without constraint having regard to their other commitments.

## 6.2 Executive management

Profiles of the key members of the Merged Group's executive management team on and from the Implementation Date are set out in the table below.

| Executive | Experience and background |
|---|---|
| **Vikesh Ramsunder**<br>*Chief Executive Officer and Managing Director* | Please see Section 6.1 for further detail. |
| **Mark Davis**<br>*Chief Financial Officer* | Mr Davis joined Chemist Warehouse in 2020 as the Chief Financial Officer of Chemist Warehouse.<br>Prior to this, Mr Davis held a variety of senior positions with Computershare Limited over a 19-year period, including serving as its Chief Financial Officer for seven years, with responsibilities for all of Computershare's finance functions globally.<br>Before taking on the role of Chief Financial Officer of Computershare, Mr Davis co-led the integration of the Shareowner Services business acquired from the Bank of New York Mellon Corporation in 2011. Prior to this, he held a variety of senior positions within the Computershare group, including as Regional Director with management responsibility for Computershare's business and operations in the Australasian region.<br>*B.Com, LLB (Honours), PostGradDip Applied Finance and Investment* |
| **Mario Verrocchi**<br>*Executive Director* | Please see Section 6.1 for further detail. |

## 6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Sigma Director or Proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Sigma; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Sigma;
- property acquired or proposed to be acquired by Sigma in connection with its formation or promotion or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Sigma Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of Sigma or the Offer or to any Sigma Director or Proposed Director to induce them to become, or qualify as, a director of Sigma (or the Merged Group).

### 6.3.1 Interests of advisers

Sigma has engaged the following professional advisers in relation to the Offer:

- Gilbert + Tobin has acted as Australian legal adviser to Sigma in relation to the Offer. Sigma has paid, or has agreed to pay, approximately $1,400,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges;
- PricewaterhouseCoopers Securities Ltd (**PwCS**) has acted as the Investigating Accountant in connection with the Offer and has performed work in relation to the Investigating Accountant's Report. Sigma and Chemist Warehouse have agreed to share the cost for these services in the same proportion as the Merger Ratio. Therefore, Sigma has paid, or agreed to pay, approximately $125,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Chemist Warehouse has paid or agreed to pay, approximately $700,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to PwCS in accordance with its normal time-based charges; and
- KPMG has acted as the Australian taxation adviser in relation to the Offer. Sigma has paid, or agreed to pay, approximately $31,500 (excluding disbursements and GST) for these services up and until the Prospectus Date. Further amounts may be paid to KPMG in accordance with its normal time-based charges.

Other than the amount referred to above which will be paid to PwCS by Chemist Warehouse, these amounts, and other expenses of the Offer, will be or have been paid by Sigma out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.2.

### 6.3.2 Directors' interests and remuneration

#### 6.3.2.1 Executive directors

- Vikesh Ramsunder is employed as Chief Executive Officer and Managing Director. See Section 6.4.1 for further details..
- Mario Verrocchi is employed as an Executive Director and Chief Executive Officer of Chemist Warehouse. See Section 6.4.3 for further details.
- Damien Gance is employed as an Executive Director and Chief Commercial Officer of Chemist Warehouse. See Section 6.4.4 for further details.
- Danielle Di Pilla is employed as an Executive Director and Chief People Officer of Chemist Warehouse. See Section 6.4.5 for further details.

#### 6.3.2.2 Directors' appointment letters

Prior to Implementation, each of the Non-Executive Director will enter into appointment letters with Sigma, confirming the terms of the appointments, their roles and responsibilities and Sigma's expectations of them as Directors

#### 6.3.2.3 Non-Executive Directors remuneration

Under the Sigma Constitution, Sigma in general meeting may determine the maximum aggregate remuneration to be provided to or for the benefit of the Non-Executive Directors as remuneration for their services as a Director.

Further, under the ASX Listing Rules, the total amount of fees paid to the Non-Executive Directors (subject to certain exceptions) must not exceed in aggregate in any financial year the amount fixed by Sigma's members in general meeting.

As at the Prospectus Date, the current maximum aggregate Non-Executive Directors' remuneration for the purposes of the ASX Listing Rules and the Sigma Constitution is $1,500,000 per annum (as approved by Sigma Shareholders at Sigma's 2015 AGM). This amount includes committee fees and superannuation but excludes, among other things, amounts payable to any executive Sigma Director under any executive services agreement with the Group or any other special remuneration which the Sigma Board may grant to the Non-Executive Directors for special exertions or additional services performed by a Non-Executive Director for or at the request of Sigma.

If the Transaction completes, it is intended that the following annual base fees would be payable to the Merged Group Directors on and from Implementation (as applicable).

| Director fees | |
|---|---|
| Chair | $550,000 |
| Non-Executive Director | $200,000 |

The following annual committee fees are payable to the Chairman of the Merged Group Board committees (with effect from Implementation) with the exception of the Chairman, whose remuneration is inclusive of all committee membership fees.

| Committee fees | Chair fee |
|---|---|
| Related Party IBC | $50,000 |
| Audit Committee | $50,000 |
| Nomination and Remuneration Committee | $50,000 |
| Risk, Compliance and Sustainability Committee | $50,000 |

The Merged Group Directors (with the exception of the Chairman) will receive additional fees for being a member of a Merged Group Board committee of $25,000 per annum. The Chair's remuneration is inclusive of all committee attendance and is not entitled to any additional remuneration by virtue of committee membership or attendance.

Sigma Shareholders approved an increase in the total Non-Executive Director fee pool to $2,500,000, at the extraordinary general meeting held on 29 January 2025. The increase in the Non-Executive Director fee pool will be effective from Implementation.

The remuneration of Non-Executive Directors is not incentive based and Non-Executive Directors do not participate in employee share plans or receive performance shares, rights or options over Sigma Shares. The Minimum Shareholding Policy is described in Section 6.9.3 of this Prospectus.

All fees include superannuation payments required by law to be made.

### 6.3.2.4 Deeds of indemnity, access and insurance

Sigma has entered into a deed of indemnity, access and insurance with each Sigma Director.

Pursuant to the Sigma Constitution, Sigma must, to the extent the person is not otherwise indemnified, indemnify each officer of Sigma and its wholly-owned subsidiaries against a liability incurred as such an officer. Each deed indemnifies the Sigma Director (to the maximum extent permitted by law) against any liability and expenses incurred as a director of the Sigma Group, whether the conduct occurred before or after the date of the deed. The indemnity continues even after a Sigma Director ceases to be a director of the Sigma Group. The deed provides that Sigma must meet the full amount of any such liabilities, including legal costs and disbursements that are incurred in relation to any investigation or proceeding.

Each deed contains the Sigma Director's right of access to certain books and records of Sigma or a Sigma Group Company for the period from the date of the deed until seven years after the Sigma Director ceases to hold office of Sigma or a Sigma Group Company. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

Pursuant to the Sigma Constitution, Sigma may arrange and maintain directors' and officers' insurance for the Sigma Directors to the extent permitted by law. Under the deed of indemnity, access and insurance, Sigma must maintain (and pay the premium for) such insurance for the period from the date of the deed until seven years after the Sigma Director ceases to hold office of Sigma or a Sigma Group Company.

Sigma will enter into a deed on the same or substantially similar terms with each Proposed Director conditional on completion of the Transaction.

### 6.3.2.5 Sigma Directors' and Proposed Directors' interests in Sigma Shares and other securities

Sigma has a Minimum Shareholding Policy that applies to Sigma Directors. A summary is included in Section 6.9.3 of this Prospectus.

If the Transaction completes, then the Minimum Shareholding Policy will apply to the Proposed Directors with effect from the Implementation Date.

The interests of Sigma Directors and Proposed Directors in Sigma Shares and other securities in Sigma as at the Prospectus Date are set out in the table below. As the Sigma Directors and Proposed Directors will not participate in the Offer, their interests will be the same on Prospectus Date and at the Completion of the Offer.

| | Interests in Sigma Shares held as at the Prospectus Date | | Interests in Sigma Shares held at Implementation | | Percentage shareholding at Implementation | |
|---|---|---|---|---|---|---|
| **Merged Group Director or Proposed Director** | **Fully diluted** | **Sigma Shares on issue** | **Fully diluted** | **Sigma Shares on issue** | **Fully diluted** | **Shares on issue** |
| Michael Sammells | 258,448 | 258,448 | 258,448 | 258,448 | 0.00%[2] | 0.00%[2] |
| Vikesh Ramsunder | 17,750,912 | 11,662,028 | 15,805,735[7] | 12,829,134 | 0.14% | 0.11% |
| Chris Roberts | 12,014 | 12,014 | 12,014 | 12,014 | 0.00%[3] | 0.00%[3] |
| Annette Carey | 21,212 | 21,212 | 21,212 | 21,212 | 0.00%[4] | 0.00%[4] |
| Neville Mitchell | 30,295 | 30,295 | 30,295 | 30,295 | 0.00%[5] | 0.00%[5] |
| Kate Spargo | 719,679 | 719,679 | 719,679 | 719,679 | 0.01% | 0.01% |
| Jack Gance | – | – | 1,579,050,058 | 1,579,050,058 | 13.68% | 13.68% |
| Mario Verrocchi[1] | 978,506 | 978,506 | 2,556,263,426 | 2,556,263,426 | 22.14%[6] | 22.15%[6] |
| Damien Gance | – | – | 400,240,023 | 400,240,023 | 3.47% | 3.47% |
| Danielle Di Pilla[1, 8] | 994,479 | 994,479 | 106,465,751 | 106,465,751 | 0.92% | 0.92% |

* And/or their associated entities.

**Notes:**

1. This row includes 978,506 Sigma Shares that Goat Properties Pty Ltd has an interest in as at the Prospectus Date. Mario Verrocchi holds 30% of the shares in Goat Properties and Danielle Di Pilla holds 40% of the shares in Goat Properties and as a result they both have a relevant interest in the Sigma Shares held by Goat Properties. The Sigma Shares held by Goat Properties may be disposed of prior to Implementation at the discretion of Goat Properties or otherwise post-Implementation in accordance with Sigma's Trading Policy.
2. Based on 6 decimal places, this is equal to 0.002238 and 0.002239% respectively.
3. Based on 6 decimal places, this is equal to 0.000104%.
4. Based on 6 decimal places, this is equal to 0.000184%
5. Based on 6 decimal places, this is equal to 0.000262%.
6. Mario Verrocchi will have a relevant interest in approximately 22.15% of Sigma Shares post-Implementation. This also includes the relevant interest in 978,506 Sigma Shares due to his indirect interest in Goat Properties Pty Ltd. The Sigma Shares held by Goat Properties may be disposed of prior to Implementation at the discretion of Goat Properties or otherwise post-Implementation in accordance with Sigma's Trading Policy.
7. In addition to the securities set out in the table above, 1,945,177 Sigma Performance Rights held by Vikesh Ramsunder will lapse upon Implementation and be replaced with cash bonuses of equivalent value (see "Treatment under the Transaction" in Figure 47 and Figure 51.
8. In addition to the interest in the Sigma Shares held by Goat Properties, Danielle Di Pilla has an interest in 15,973 Sigma Shares as at the Prospectus Date that may be disposed of prior to Implementation at the discretion of Danielle Di Pilla or otherwise post-Implementation in accordance with Sigma's Trading Policy.

Final shareholdings held directly or indirectly by the Merged Group Directors (and their associated entities) will be notified to ASX following Implementation of the Transaction.

### 6.3.2.6 Other information about the Merged Group Directors' interests and benefits

Merged Group Directors may also be reimbursed travel and other expenses incurred in attending to company affairs, including attending and returning from general meetings or meetings of the Board or committees of the Merged Group Board. A Merged Group Director who performs additional or special duties for the Merged Group at the request of the Merged Group Board may, in accordance with the Constitution, be paid such additional or special remuneration (as determined by the Merged Group Board).

There are no retirement benefits for Sigma Directors, other than statutory superannuation contributions or as a result of an accelerated benefit under Sigma's incentive plans.

## 6.4 Executive remuneration

If the Merger completes, then with effect from the Implementation Date, the key executives of the Merged Group are intended to be:

- Vikesh Ramsunder (Chief Executive Offer and Managing Director);
- Mark Davis (Chief Financial Officer); and
- the following Proposed Directors:
  - Mario Verrocchi;
  - Damien Gance; and
  - Danielle Di Pilla.

Their employment arrangements are set out below. These arrangements will be effective on Implementation.

### 6.4.1 Vikesh Ramsunder (Chief Executive Officer and Managing Director)

| Term | Description |
|---|---|
| Employer | Sigma |
| Fixed annual remuneration | Mr Ramsunder's fixed remuneration will be $1,600,000 per annum (inclusive of superannuation). |

| Term | Description |
| --- | --- |
| Short term incentive (**STI**) | Mr Ramsunder would ordinarily be entitled to earn a maximum 'at target' benefit of 100% of his fixed annual remuneration and up to 50% of his fixed annual remuneration 'at stretch' (for a maximum STI benefit of 150% of his fixed annual remuneration), subject to the achievement of those 'at target' and 'at stretch' targets against key performance indicators to be set by the Merged Group Board each year. This is based on a 12 month financial year.<br><br>Due to the financial year end date change associated with the Transaction (as discussed in Section 9.4), following Implementation, Mr Ramsunder's STI opportunity for the 2025/2026 financial year only will be a maximum 'at target' benefit of 141.67% of his fixed annual remuneration and up to 70.83% of his fixed annual remuneration 'at stretch' (for a maximum STI benefit of 212.50% of his fixed annual remuneration) based on a 17 month period (being 1 February 2025 to 30 June 2026).<br><br>Any STI reward will be delivered in a combination of cash and deferred equity as determined by the Merged Group Board. For FY25/26, this will be 67% in cash and 33% deferred performance shares (50% to be deferred for 12 months with the remaining 50% deferred for 2 years).<br><br>The foregoing is subject to Sigma Shareholder approval. |
| Long term incentive (**LTI**) | Mr Ramsunder will be eligible to participate in the Merged Group's long term incentive schemes (subject to Shareholder approval to the extent required). His annual LTI grant value will be equal to 150% of his fixed annual remuneration.<br><br>Details of Mr Ramsunder's current interests in the LTI Plans are set out in Section 6.5. |
| Other benefits | Mr Ramsunder also received a one-off grant of CEO Sign-On Rights as set out in Section 6.5. |
| Notice period, termination and termination payments | Mr Ramsunder's employment will be able to be terminated by either him or by Sigma giving the other party 12 months' notice (or Sigma making payment in lieu of part or all of the notice period where Sigma terminates).<br><br>In the event of serious misconduct or other circumstances warranting summary dismissal, Sigma may terminate Mr Ramsunder's employment immediately without payment in lieu of notice. |
| Non-solicitation/ restrictions of future activities | Mr Ramsunder's employment contract will contain post-employment restraints, including restraints on:<br>• carrying on or being involved in any business or activity that is the same, similar to or competitive with the business operated by the Merged Group in relation to which Mr Ramsunder performed duties during the 12 month period prior to the cessation of his employment;<br>• inducing any employee or contractor of the Merged Group with whom Mr Ramsunder dealt with in the 12 month period prior to his cessation of employment, to leave his employment or engagement with the Merged Group; and<br>• soliciting a client or customer of the Merged Group or disrupting the relationship of the Merged Group with whom Mr Ramsunder dealt with in the 12 month period prior to his cessation of employment, with a view to obtaining the custom of that person in a business similar to or competitive with the Merged Group's business.<br><br>The restraint of trade restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia.<br><br>The enforceability of these restraints is subject to all usual legal requirements. |

### 6.4.2 Mark Davis (Chief Financial Officer)

| Term | Description |
|---|---|
| Employer | CW Retail Services Pty Ltd (ACN 606 509 791) (CW Retail Services) |
| Fixed annual remuneration | Mr Davis' fixed remuneration will be $1,200,000 per annum (inclusive of superannuation) effective from Implementation. |
| STI | Mr Davis will ordinarily be entitled to earn a maximum 'at target' benefit of 80% of his fixed annual remuneration and up to 40% of his fixed annual remuneration 'at stretch' (for a total maximum STI benefit of up to 120% of his fixed annual remuneration), subject to the achievement of those 'at target' and 'at stretch' targets against key performance indicators to be set by the Merged Group Board each year.<br><br>Any STI reward will be delivered in a combination of cash and deferred equity as determined by the Merged Group Board. For FY25/26, this will be 67% in cash and 33% deferred performance shares (50% to be deferred for 12 months with the remaining 50% deferred for 2 years).<br><br>The foregoing will be subject to Sigma Shareholder approval to the extent required. |
| LTI | Mr Davis will be eligible to participate in the Merged Group's long term incentive schemes. His annual LTI grant value will be equal to 120% of his fixed annual remuneration.<br><br>The foregoing will be subject to Sigma Shareholder approval to the extent required. |
| Notice period, termination and termination payments | Mr Davis' employment will be able to be terminated by either him or the employer giving the other party 6 months' written notice (or the employer making payment in lieu of part or all of the notice period).<br><br>In the event of serious misconduct or other circumstances warranting Mr Davis' summary dismissal, the employer may terminate Mr Davis' employment immediately without payment in lieu of notice. |
| Non-solicitation/ restrictions of future activities | Mr Davis' employment contract contains post-employment restraints, including restraints on:<br><br>• carrying on, being employed by, or engaged or otherwise interested in any competitive business of the Merged Group, or for a contractor, supplier or financier of the Merged Group, to perform duties or provide services:<br>– which are the same or similar to those Mr Davis provided to the Merged Group in the 12 month period prior to the cessation of his employment; or<br>– in a position in which Mr Davis can use confidential information to gain an advantage for the relevant entity or cause detriment to the Merged Group;<br>• inducing directors, employees or contractors with whom Mr Davis dealt with in the 12 month period prior to the cessation of his employment or about whom he has or has had confidential information about in respect of their engagement with the Merged Group, to terminate their engagement with the Merged Group; and<br>• soliciting, canvassing or approaching a person or entity of the customer or supplier (or potential customer or supplier) of the Merged Group with whom Mr Davis had work related dealings within the 12 month period prior to the cessation of his employment or about whom Mr Davis has had confidential information, with a view to obtaining their custom or business, persuading them to cease business with the Merged Group or persuading them to reduce the amount of business they would do with the Merged Group.<br><br>These restrictions purport to operate for up to 12 months post-employment.<br><br>The enforceability of these restraints is subject to the usual legal requirements. |

Sigma has a Minimum Shareholding Policy that will apply to Mr Davis with effect from Implementation. A summary of this policy is included in Section 6.9.3 of this Prospectus.

### 6.4.3 Mario Verrocchi (Executive Director of the Merged Group and Chief Executive Officer of Chemist Warehouse)

| Term | Description |
|---|---|
| Employer | CW Retail Services |
| Fixed annual remuneration | Mr Verrocchi's fixed remuneration will be $995,565 per annum (inclusive of superannuation). |
| STI | Following Implementation, Mr Verrocchi may be eligible to participate in the Merged Group's short term Sigma Incentive Plans.<br>Grants of Sigma Incentive Securities to Mr Verrocchi are subject to Sigma Shareholder approval. |
| LTI | Following Implementation, Mr Verrocchi may be eligible to participate in the Merged Group's long term Sigma Incentive Plans.<br>Grants of Sigma Incentive Securities to Mr Verrocchi are subject to Sigma Shareholder approval. |
| Notice period, termination and termination payments | Mr Verrocchi's employment will be able to be terminated by either him or the employer giving the other party 6 months' written notice (or the employer making payment in lieu of part or all of the notice period).<br>In the event of serious misconduct or other circumstances warranting Mr Verrocchi's summary dismissal, the employer may terminate Mr Verrocchi's employment immediately without payment in lieu of notice. |
| Non-solicitation/ restrictions of future activities | Mr Verrocchi's employment contract contains post-employment restraints, including restraints on:<br>• carrying on, being employed by, or engaged or otherwise interested in any competitive business of the Merged Group, or for a contractor, supplier or financier of the Merged Group, to perform duties or provide services:<br>– which are the same or similar to those Mr Verrocchi provided to the Merged Group in the 12 month period prior to the cessation of his employment; or<br>– in a position in which Mr Verrocchi can use confidential information to gain an advantage for the relevant entity or cause detriment to the Merged Group;<br>• inducing directors, officers, employees or contractors with whom Mr Verrocchi dealt with in the 12 month period prior to the cessation of his employment or about whom he has or has had confidential information about in respect of their engagement with the Merged Group, to terminate their engagement with the Merged Group; and<br>• soliciting a person or entity of the customer or supplier (or potential customer or supplier) of the Merged Group with whom Mr Verrocchi had work related dealings within the 12 month period prior to the cessation of his employment or about whom Mr Verrocchi has had confidential information, with a view to obtaining their custom or business, persuading them to cease business with the Merged Group or persuading them to reduce the amount of business they would do with the Merged Group.<br>These restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia.<br>The enforceability of these restraints is subject to the usual legal requirements. |

### 6.4.4 Damien Gance (Executive Director of the Merged Group and Chief Commercial Officer of Chemist Warehouse)

| Term | Description |
|---|---|
| Employer | CW Retail Services |
| Fixed annual remuneration | Mr D Gance's fixed remuneration will be $673,652 per annum (inclusive of superannuation). |
| STI | Following Implementation, Mr D Gance may be eligible to participate in the Merged Group's short term Sigma Incentive Plans.<br>Grants of Sigma Incentive Securities to Mr D Gance are subject to Sigma Shareholder approval. |
| LTI | Following Implementation, Mr D Gance may be eligible to participate in the Merged Group's long term Sigma Incentive Plans.<br>Grants of Sigma Incentive Securities to Mr D Gance are subject to Sigma Shareholder approval. |
| Notice period, termination and termination payments | Mr D Gance's employment will be able to be terminated by either him or the employer giving the other party 6 months' written notice (or the employer making payment in lieu of part or all of the notice period).<br>In the event of serious misconduct or other circumstances warranting Mr D Gance's summary dismissal, the employer may terminate Mr Gance's employment immediately without payment in lieu of notice. |
| Non-solicitation/ restrictions of future activities | Mr D Gance's employment contract contains post-employment restraints, including restraints on:<br>• carrying on, being employed by, or engaged or otherwise interested in any competitive business of the Merged Group, or for a contractor, supplier or financier of the Merged Group, to perform duties or provide services:<br>– which are the same or similar to those Mr D Gance provided to the Merged Group in the 12 month period prior to the cessation of his employment; or<br>– in a position in which Mr D Gance can use confidential information to gain an advantage for the relevant entity or cause detriment to the Merged Group;<br>• inducing directors, officers, employees or contractors with whom Mr D Gance dealt with in the 12 month period prior to the cessation of his employment or about whom he has or has had confidential information about in respect of their engagement with the Merged Group, to terminate their engagement with the Merged Group; and<br>• soliciting a person or entity of the customer or supplier (or potential customer or supplier) of the Merged Group with whom Mr D Gance had work related dealings within the 12 month period prior to the cessation of his employment or about whom Mr D Gance has had confidential information, with a view to obtaining their custom or business, persuading them to cease business with the Merged Group or persuading them to reduce the amount of business they would do with the Merged Group.<br>These restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia.<br>The enforceability of these restraints is subject to the usual legal requirements. |

### 6.4.5 Danielle Di Pilla (Executive Director of the Merged Group and Chief People Officer of Chemist Warehouse)

| Term | Description |
|---|---|
| Employer | CW Retail Services |
| Fixed annual remuneration | Ms Di Pilla's fixed remuneration will be $673,652 per annum (inclusive of superannuation). |
| STI | Following Implementation, Ms Di Pilla may be eligible to participate in the Merged Group's short term Sigma Incentive Plans.<br>Grants of Sigma Incentive Securities to Ms Di Pilla are subject to Sigma Shareholder approval. |
| LTI | Following Implementation, Ms Di Pilla may be eligible to participate in the Merged Group's long term Sigma Incentive Plans.<br>Grants of Sigma Incentive Securities to Ms Di Pilla are subject to Sigma Shareholder approval. |
| Notice period, termination and termination payments | Ms Di Pilla's employment will be able to be terminated by either her or the employer giving the other party 6 months' written notice (or the employer making payment in lieu of part or all of the notice period).<br>In the event of serious misconduct or other circumstances warranting Ms Di Pilla's summary dismissal, the employer may terminate Ms Di Pilla's employment immediately without payment in lieu of notice. |
| Non-solicitation/ restrictions of future activities | Ms Di Pilla's employment contract contains post-employment restraints, including restraints on:<br>• carrying on, being employed by, or engaged or otherwise interested in any competitive business of the Merged Group, or for a contractor, supplier or financier of the Merged Group, to perform duties or provide services:<br>– which are the same or similar to those Ms Di Pilla provided to the Merged Group in the 12 month period prior to the cessation of her employment; or<br>– in a position in which Ms Di Pilla can use confidential information to gain an advantage for the relevant entity or cause detriment to the Merged Group;<br>• inducing directors, officers, employees or contractors with whom Ms Di Pilla dealt with in the 12 month period prior to the cessation of her employment or about whom she has or has had confidential information about in respect of their engagement with the Merged Group, to terminate their engagement with the Merged Group; and<br>• soliciting a person or entity who was a customer or supplier (or potential customer or supplier) of the Merged Group with whom Ms Di Pilla had work related dealings within the 12 month period prior to the cessation of her employment or about whom Ms Di Pilla has had confidential information, with a view to obtaining their custom or business, persuading them to cease business with the Merged Group or persuading them to reduce the amount of business they would do with the Merged Group.<br>These restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia.<br>The enforceability of these restraints is subject to the usual legal requirements. |

## 6.5 Equity-based remuneration arrangements

### 6.5.1 Overview

Sigma has in place several equity-based, incentive plans (**Sigma Incentive Plans**) under which eligible participants have been granted equity securities in Sigma (**Sigma Incentive Securities**). The Sigma Incentive Plans were established by Sigma with the purpose of aligning the interests of eligible participants more closely with the interests of shareholders by providing an opportunity for eligible participants to receive an equity interest in Sigma.

Figure 46 below summarises the Sigma Incentive Securities that are on issue at the Prospectus Date. They comprise Sigma Shares that were funded by a limited recourse loan from Sigma (**Loan Funded Shares**) and rights to acquire Sigma Shares (**Performance Rights**) that, in each case, are subject to certain vesting conditions. Further detail is set out in Sections 6.5.2 and 6.5.3, including how these Sigma Incentive Securities will be impacted if the Transaction completes

Following Implementation, any future grants of equity-based incentives will be determined by the Merged Group Board.

**Figure 46: Overview of Sigma Incentive Plans**

| Plan | Participants(1) | Sigma Incentive Securities |
|---|---|---|
| **Short term equity incentive plans** | | |
| **2022/23 Short Term Incentive Deferral Rights Plan** | Chief Executive Officer and Chief Financial Officer[159] | 240,462 Performance Rights (vested and unexercised) |
| **2023/24 Short Term Incentive Deferral Rights Plan** | Chief Executive Officer and Chief Financial Officer[160] | 260,844 Performance Rights (unvested)<br>There are no vested Performance Rights |
| **2024/25 Short Term Incentive Deferral Rights Plan** | Chief Executive Officer and Chief Financial Officer[161] | 117,940 of Performance Rights (unvested)(2) |
| **Long term equity incentive plans** | | |
| **2022 Loan Funded Share Plan** | Executives and senior employees | 13,848,236 Loan Funded Shares (unvested)<br>There are no vested Loan Funded Shares |
| **2023 Executive Equity Grant Plan** | Executives and senior employees | 9,793,025 Performance Rights (unvested)<br>There are no vested Performance Rights |
| **2024 Long Term Incentive Plan** | Executives and senior employees | 2,455,802 Performance Rights (unvested) |
| **CEO Sign-On Rights Sigma Rights Plan** | Chief Executive Officer | 1,482,422 Performance Rights (vested) |

**Notes:**

1. Although eligibility under each Sigma Incentive Plan is broad, grants of Sigma Incentive Securities are typically restricted to these persons.
2. These Performance Rights have not been issued yet. In the context of the Transaction, instead of being issued Performance Rights, the participants will be given a cash bonus of equivalent value (see Figure 47). The number of Performance Rights that would have been issued to each participant was determined by dividing the value of a participant's STI equity award (as determined following the performance period) by the volume weighted average market price of a Sigma Share for the 5 trading days immediately preceding the end of the performance period. The total value of Performance Rights that would have been granted to all participants is $341,472 (rounded to the nearest dollar).

## 6.5.2 Short term equity incentive plans

The STI component of an executive's total reward is an annual at-risk incentive reward and links a portion of executive reward opportunity to specific financial and non-financial measures. An STI component can consist of cash and equity components.

The 2022/23 Short Term Incentive Deferral Rights Plan, 2023/24 Short Term Incentive Deferral Rights Plan and the 2024/25 Short Term Incentive Deferral Rights Plan (together, the **STI Rights Plans**) are the equity-based components of the STIs granted to Sigma executives for Sigma's financial years ended 31 January 2023, 31 January 2024 and 31 January 2025. The STI Rights Plans and their respective rules (**STI Rights Plan Rules**) are substantially alike and have the key features set out in Figure 47 below.

**Figure 47: Summary of STI Rights Plans**

| Term | Description |
|---|---|
| Eligibility | Eligibility under each STI Rights Plan is broad and is open to any director or employee of a Sigma Group Member determined by the Sigma Board in its discretion to be eligible to receive a grant of Performance Rights under the STI Rights Plan (STI Rights).<br>Grants under each STI Rights Plan have typically been restricted to the participants outlined in Figure 46 above. |
| Type and number of securities | Each STI Rights Plan permits eligible participants to be granted Performance Rights. Each STI Right represents a right to acquire a Sigma Share once that STI Right has vested.<br>The number of STI Rights to be issued to a participant is determined at the end of the applicable performance period and having regard to the applicable performance measures for that STI award. The performance measures may include financial and non-financial measures. |

159. That is, the CFO of Sigma as at the time this grant was made (who has since departed Sigma and forfeited the Performance Rights granted to them under this incentive plan).
160. That is, the CFO of Sigma as at the Prospectus Date, being Mark Conway; not Mark Davis, who will be the CFO of the Merged Group, if the Merger completes, with effect from the Implementation Date.
161. Mark Conway.

| Term | Description |
|---|---|
| Vesting | The Sigma Board may determine the performance hurdles and/or vesting conditions that apply to STI Rights, which must be satisfied before a STI Right vests and is exercisable to Sigma Shares.<br>The STI Rights granted under the STI Rights Plans (as set out in Figure 46 above) are subject to time-based vesting as follows:<br>• 2022/23 Short Term Incentive Deferral Rights Plan – these STI Rights have all vested. They were subject to a 12 month vesting period from 1 February 2023 and ending on 31 January 2024;<br>• 2023/24 Short Term Incentive Deferral Rights Plan – the STI Rights are subject to a 12 month vesting period from 1 February 2024 and ending on 31 January 2025; and<br>• 2024/25 Short Term Incentive Deferral Rights Plan – the STI Rights are subject to a 12 month vesting period from 1 February 2025 and ending on 31 January 2026,<br>in each case, subject to instances where vesting may be accelerated or STI Rights might lapse upon a participant's cessation of employment with a Sigma Group Member (as set out below). |
| Issue price and exercise price | The Sigma Board may determine the issue price and exercise price of an STI Right.<br>In respect of the STI Rights set out in Figure 46 above, no amount was or is payable by participants to acquire or exercise, respectively, those STI Rights. Likewise, no amount will be payable by participants to acquire or exercise any STI Rights to be issued under the 2024/25 Short Term Incentive Deferral Rights Plan (if any) following the end of the performance period. |
| Exercise period | The Sigma Board may determine the period during which an STI Right may be exercised (**STI Term**).<br>In respect of the STI Rights set out in Figure 46 above, they must be exercised before the expiry of those STI Rights (being 4 years from their issue date). Likewise, any STI Rights to be issued under the 2024/25 Short Term Incentive Deferral Rights Plan (if any) following the end of the performance period must be exercised within 4 years from their issue date. |
| Cessation of employment | On cessation of employment, the Sigma Board has absolute discretion to determine whether the participant is a 'Bad Leaver', a 'Good Leaver' or a 'Leaver':<br>• **Bad Leaver** – Subject to the Sigma Board's discretion to determine otherwise, all rights, entitlements and interests in any STI Rights will be forfeited.<br>• **Good Leaver** – the Sigma Board may at its absolute discretion determine that some or all of a participant's unvested STI Rights vest based on its assessment of the circumstances in which the participant has ceased employment. The balance of unvested STI Rights that do not vest will be forfeited.<br>• **Leaver** – Unvested STI Rights will normally be forfeited subject to the Sigma Board's discretion to permit some or all of those unvested STI Rights to vest based on its assessment of the circumstances in which the participant has ceased employment.<br>To the extent an STI Right has a STI Term as specified in the relevant grant letter, a Good Leaver or Leaver may retain those STI Rights that have vested (including those unvested STI Rights which vest on cessation of employment as set out above) and deal with them subject to the participant giving to Sigma an exercise notice any payment of the exercise price (if any) by the earlier of:<br>• the date the STI Term ends; and<br>• the date which is 6 months from the cessation date (or 12 months in the case of a participant who ceases employment due to death). |
| Clawback and preventing inappropriate benefits | Under the rules of the 2023/24 Short Term Incentive Deferral Rights Plan and the 2024/25 Short Term Incentive Deferral Rights Plan (but not the 2022/23 Short Term Incentive Deferral Rights Plan), the Sigma Board has discretion to cancel or clawback STI Rights (and any Sigma Shares issued or transferred in respect of them) where it determines that those STI Rights or Sigma Shares were awarded based on a financial statement or performance metric that was materially inaccurate. |

| Term | Description |
|---|---|
| Change of control | If Sigma becomes, or in the opinion of the Sigma Board is likely to become, subject to a change of control event, the Sigma Board may in its absolute discretion determine how unvested STI Rights held by a participant will be treated including, but not limited to, determining that some or all of a participant's unvested STI Rights vest and allowing the participant to exercise those STI Rights.<br><br>**Treatment under the Transaction**<br><br>In respect of the 2024/25 Short Term Incentive Deferral Rights Plan, if the Transaction is Implemented, instead of being issued Performance Rights at the end of the performance period following testing post 31 January 2025 (which then vest over a 12 month period), the participants will be given a cash bonus of equivalent value.<br><br>In respect of the STI Rights on issue under the 2022/23 Short Term Incentive Deferral Rights Plan and the 2023/24 Short Term Incentive Deferral Rights Plan, the Sigma Board has determined that there will be no changes to the terms of the STI Rights in the context of the Transaction. |
| Reorganisations, corporate actions, bonus issues, etc | The Sigma Board may, subject to the Listing Rules, adjust the number of STI Rights held by a participant in the event of a capital reconstruction or other corporate actions. |
| Restrictions on dealings | A participant must not:<br>• sell, transfer, encumber or otherwise deal with STI Rights unless otherwise permitted under the STI Rights Plans or determined by the Sigma Board; or<br>• enter into any arrangement for the purposes of hedging, or otherwise effecting their economic exposure to the STI Rights.<br><br>In respect of Sigma Shares issued on the exercise of STI Rights, participants are free to deal with those shares, subject to Sigma's Share Trading Policy and applicable laws. |
| Expiry date | STI Rights will lapse and be incapable of exercise on the earlier to occur of the following:<br>• the date the STI Term ends (if applicable);<br>• the date STI Rights are forfeited;<br>• the date Sigma commences to be wound up; or<br>• the date otherwise determined by the Sigma Board. |

Figure 48 below sets out the STI Rights held by the Sigma KMP as at the Prospectus Date.

**Figure 48: Interests of Sigma KMP under the STI Rights Plans**

| STI Rights Plan | Number of Performance Rights | Vesting conditions | Expiry date |
|---|---|---|---|
| **Vikesh Ramsunder** | | | |
| **2023/24 Short Term Incentive Deferral Rights Plan** | 240,462 | As set out in Figure 47 above. | As set out in Figure 47 above. |
| **2023/24 Short Term Incentive Deferral Rights Plan** | 242,994 | As set out in Figure 47 above. | As set out in Figure 47 above. |
| **2024/25 Short Term Incentive Deferral Rights Plan** | 92,273 of Performance Rights(1) | As set out in Figure 47 above. | As set out in Figure 47 above. |
| **Mark Conway** | | | |
| **2023/24 Short Term Incentive Deferral Rights Plan** | 17,850 | As set out in Figure 47 above. | As set out in Figure 47 above. |
| **2024/25 Short Term Incentive Deferral Rights Plan** | 25,667 Performance Rights(1) | As set out in Figure 47 above. | As set out in Figure 47 above. |

**Notes:**

1. These Performance Rights have not been issued yet. See note 2 under Figure 46 above.

### 6.5.3 Long term equity incentive plans

The LTI component of an executive's total reward is an at-risk incentive reward designed to link executive remuneration to the achievement of strategic and financial objectives that lead to shareholder value creation. An LTI component is equity based.

As at the Prospectus Date, there are three LTI equity incentive plans in operation:

- 2022 Loan Funded Share Plan;
- 2023 Executive Equity Grant Plan; and
- 2024 Long Term Incentive Plan.

#### 6.5.3.1 2022 Loan Funded Share Plan

For the year ended 31 January 2023 (grant date of 1 February 2022), the Sigma Group used a loan funded share plan for the executive LTI plan (being the 2022 Loan Funded Share Plan).

The key features of the 2022 Loan Funded Share Plan and its rules (**LFS Plan Rules**) are set out in Figure 49 below.

**Figure 49: Summary of 2022 Loan Funded Share Plan**

| Term | Description |
|---|---|
| Eligibility | Eligibility under the 2022 Loan Funded Share Plan is broad and is open to any director or employee of a Sigma Group Member determined by the Sigma Board in its discretion to be eligible to receive a grant of Loan Funded Shares.<br><br>Grants under the 2022 Loan Funded Share Plan have typically been restricted to the participants outlined in Figure 46 above. |
| Type and number of securities | The 2022 Loan Funded Share Plan permits eligible participants to be granted Loan Funded Shares. Each Loan Funded Share is a Sigma Share that has been acquired by a participant using a limited recourse loan provided by Sigma.<br><br>The number of Loan Funded Shares to be issued to a participant is determined at the time of making the grant. |
| Vesting | The Loan Funded Shares issued under the 2022 Loan Funded Share Plan (as set out in Figure 46 above) are subject to the following vesting conditions:<br>• a service condition being that the participant must remain continuously employed by Sigma as at the date on which the Sigma Board determines whether the below performance conditions have been met; and<br>• the following performance conditions over the performance period of Sigma's financial years ended/ending on 31 January of each of 2023, 2024 and 2025:<br>– 12.5% of Loan Funded Shares will vest when the Sigma's TSR over the vesting period is 30% or higher;<br>– 25% of Loan Funded Shares will vest when Sigma's TSR over the vesting period is 40% or higher;<br>– 50% of Loan Funded Shares will vest when the Sigma's TSR over the performance period is 50% or higher; and<br>– up to 50% of Loan Funded Shares will vest when the Sigma's Average pre-tax Return on Invested Capital over the performance period is at the agreed rate or higher,<br>(in each case, subject to instances where vesting may be accelerated or Loan Funded Shares might be forfeited upon a participant's cessation of employment with a Sigma Group Member (as set out below). |
| Acquisition price | The Sigma Board may determine the price at which a Loan Funded Share may be acquired by a participant.<br><br>In respect of the Loan Funded Shares set out in Figure 46 above, the acquisition price was $0.465 per Loan Funded Share (being the closing price of Sigma Shares on the grant date). The total acquisition price payable by each participant was funded by an interest free, limited recourse loan provided by Sigma. |

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td>Limited recourse loan</td><td>Under LFS Plan Rules, the Board may determine the value of the loan that will be provided to a participant to facilitate the acquisition of Loan Funded Shares offered to them and terms of that loan.<br><br>In respect of the Loan Funded Shares issued under the 2022 Loan Funded Share Plan (as set out in Figure 46 above), the loans were generally made on the following key terms:<br>• the loan is interest free;<br>• limited recourse to the Loan Funded Shares to which the loan relates (ie the repayment amount will be the lesser of the outstanding loan balance and the market value of the Loan Funded Shares that are subject to the loan. If a participant's Loan Funded Shares are of lower value than the participant's loan balance at the time that the participant is required to repay the loan, the Loan Funded Shares will be bought-back at market value and the proceeds applied to full satisfaction of the loan obligations);<br>• the loan period commences on the date the loan is drawn down and ends on the earlier of:<br>– five years from the loan commencement date;<br>– the date the participant ceases employment with Sigma;<br>– the date the Loan Funded Shares are forfeited;<br>– the date the Sigma Board determines any of the vesting conditions will not be satisfied;<br>– the date Sigma is wound up; and<br>– any other date that the participant and Sigma agree to in writing.<br>• the following repayment terms:<br>– a participant may repay the loan early at any time;<br>– the loan must be repaid in full before the Loan Funded Shares may be disposed of;<br>– if dividends are paid Sigma on the participant's Loan Funded Shares, Sigma will apply the after-tax value of the dividends to the repayment of the loan;<br>– if the loan period ends, Sigma may sell or buy-back some or all of the participant's Loan Funded Shares to satisfy the loan balance outstanding. The proceeds from any sale or buy-back of the participant's Loan Funded Shares will be applied to pay back the outstanding loan balance and any excess money after costs and expenses will be returned to the participant.</td></tr>
<tr><td>Cessation of employment</td><td>On cessation of employment, the Sigma Board has absolute discretion to determine whether the participant is a 'Bad Leaver', a 'Good Leaver' or a 'Leaver':<br>• Bad Leaver – all rights, entitlements and interests in any vested and unvested Loan Funded Shares held by the participant will be forfeited;<br>• Good Leaver – unvested Loan Funded Shares will vest pro rata to the proportion of the vesting period that has elapsed as at the date on which employment ceases and having regard to the extent to which any performance conditions have been achieved. A Good Leaver may retain vested Loan Funded Shares (subject to repayment of the loan before the Loan Funded Shares can be dealt with);<br>• Leaver – unvested Loan Funded Shares will normally be forfeited subject to the Sigma Board's discretion to permit some or all of those unvested Loan Funded Shares to vest based on its assessment of the circumstances in which the participant has ceased employment. A Leaver may retain vested Loan Funded Shares (subject to repayment of the loan before the Loan Funded Shares can be dealt with).</td></tr>
<tr><td>Change of control</td><td>If Sigma becomes, or in the opinion of the Sigma Board is likely to become, subject to a change of control event, the Sigma Board shall make a determination that some or all of a participant's unvested Loan Funded Shares vest and the participant may dispose of those Loan Funded Shares (subject to repayment of the corresponding loan).<br><br>Treatment under the Transaction<br>Pursuant to the LFS Plan Rules, upon a change of control event occurring, the Sigma Board are required to make a determination that the shares vest. In relation to the Transaction, the Sigma Board considered the continued employment of LTI participants, the significant value delivered to Sigma Shareholders through the Transaction and the key roles executives have performed in relation to the Transaction in making the determination to vest the Loan Funded Shares. Once the loan attached to the shares has been repaid, participants are free to deal with their shares.</td></tr>
</table>

| Term | Description |
|---|---|
| Reorganisations, corporate actions, bonus issues, etc | The Sigma Board may, subject to the Listing Rules, adjust the number of Loan Funded Shares held by a participant in the event of a capital reconstruction or other corporate actions. |
| Restrictions on dealings | Loan Funded Shares are subject to restrictions on dealing such that:<br>• a participant may not deal with unvested Loan Funded Shares until they vest; and<br>• a participant may not deal with vested Loan Funded Shares until such time as the corresponding loan is repaid or the participant makes arrangements acceptable to Sigma to repay the loan.<br><br>Dealing includes transferring, encumbering, hedging, disposing of or otherwise dealing with Loan Funded Shares. |
| Forfeiture | Loan Funded Shares are subject to forfeiture by a participant:<br>• where the participant breaches the term of the loan agreement for the Loan Funded Shares;<br>• where the applicable vesting conditions are not satisfied; or<br>• in accordance with the leaver provisions (as described above). |

Figure 50 below sets out the Loan Funded Shares held by the Sigma KMP as at the Prospectus Date.

**Figure 50: Interests of Sigma KMP under the 2022 Loan Funded Share Plan**

| Participant | Number of Loan Funded Shares | Acquisition price[1] | Vesting conditions |
|---|---|---|---|
| Vikesh Ramsunder | 10,179,605 | $0.465 | As set out in Figure 49 above. |

**Notes:**

1. As described in Figure 49, the acquisition price has been fully funded by an interest free, limited recourse loan by Sigma on the terms set out in Figure 49.

### 6.5.3.2 LTI Rights Plans

The 2023 Executive Equity Grant Plan and 2024 Long Term Incentive Plan (together, the **LTI Rights Plans**) involved the grant of Performance Rights to participants. The LTI Rights Plans and their respective rules (**LTI Rights Plan Rules**) are substantially alike and have the key features set out in Figure 51 below.

**Figure 51: Summary of LTI Rights Plans**

| Term | Description |
|---|---|
| Eligibility | Eligibility under each LTI Rights Plan is broad and is open to any director or employee of a Sigma Group Member determined by the Sigma Board in its discretion to be eligible to receive a grant of Performance Rights under the LTI Rights Plan (**LTI Rights**).<br><br>Grants under each LTI Rights Plan have typically been restricted to the participants outlined in Figure 46 above. |
| Type and number of securities | Each LTI Rights Plan permits eligible participants to be granted Performance Rights. Each LTI Right represents a right to acquire a Sigma Share once that LTI Right has vested.<br><br>The number of LTI Rights to be issued to a participant is determined at the time of making the grant. |

# 6. Key individuals, interests and benefits continued

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td>Vesting</td><td>
The LTI Rights issued under the LTI Rights Plan (as set out in Figure 46 above) are subject to the vesting conditions set out below (in each case, subject to instances where vesting may be accelerated or LTI Rights might lapse upon a participant's cessation of employment with a Sigma Group Member (as set out below)).
2023 Executive Equity Grant Plan
LTI Rights will vest on 31 January 2026 dependent on meeting the following vesting conditions:
<ul>
<li>50% of LTI Rights vest when Sigma's earnings per share (EPS) meets a performance measure agreed by the Sigma Board at the beginning of each year of the three year performance period based on the outlook following the preceding year, with any earned rewards only released on the vesting date;</li>
<li>25% of LTI Rights vest on the following basis:
<ul>
<li>12.5% of LTI Rights will vest if an absolute total shareholder return (TSR) of 8% compound annual growth rate (CAGR) is achieved during the performance period;</li>
<li>25% of the LTI Rights will vest if an absolute TSR of 12% CAGR is achieved during the performance period; and</li>
<li>this will increase in a straight line to a maximum vesting of this component at 12% of CAGR; and</li>
</ul></li>
<li>25% of LTI Rights vesting subject to the participant being continuously employed by Sigma on the vesting date and have not given notice of termination of employment prior to the vesting date.</li>
</ul>
2024 Long Term Incentive Plan
LTI Rights will vest on 31 January 2027 dependent on meeting the following vesting conditions:
<ul>
<li>50% of LTI Rights vest when Sigma's EPS meets a performance measure agreed by the Sigma Board at the beginning of each year of the three year performance period based on the outlook following the preceding year, with any earned rewards only released on the vesting date; and</li>
<li>50% of LTI Rights vest on the following basis:
<ul>
<li>12.5% will vest if a minimum absolute TSR of 8% CAGR is achieved during the performance period;</li>
<li>this will increase in a straight line to 25% of the LTI Rights vesting if an absolute TSR of 10% CAGR is achieved during the performance period; and</li>
<li>this will increase in a straight line to a maximum vesting of this component at 12% of CAGR.</li>
</ul></li>
</ul>
</td></tr>
<tr><td>Issue price and exercise price</td><td>
The Sigma Board may determine the issue price and exercise price of an LTI Right.
In respect of the LTI Rights set out in Figure 46 above, no amount was or is payable by participants to acquire or exercise, respectively, those LTI Rights.
</td></tr>
<tr><td>Exercise period</td><td>
The Sigma Board may determine the period during which an LTI Right may be exercised (LTI Term).
In respect of the LTI Rights set out in Figure 46 above, they must be exercised before the expiry of those LTI Rights (being 5 years from their grant date).
</td></tr>
</table>

| Term | Description |
| --- | --- |
| Cessation of employment | On cessation of employment, the Sigma Board has absolute discretion to determine whether the participant is a 'Bad Leaver', a 'Good Leaver' or a 'Leaver':<br>• Bad Leaver – Subject to the Sigma Board's discretion to determine otherwise, all rights, entitlements and interests in any LTI Rights will be forfeited.<br>• Good Leaver – the Sigma Board may at its absolute discretion determine that some or all of a participant's unvested LTI Rights vest based on its assessment of the circumstances in which the participant has ceased employment. The balance of unvested LTI Rights that do not vest will be forfeited.<br>• Leaver – Unvested LTI Rights will normally be forfeited subject to the Sigma Board's discretion to permit some or all of those unvested LTI Rights to vest based on its assessment of the circumstances in which the participant has ceased employment.<br><br>To the extent an LTI Right has a LTI Term as specified in the relevant grant letter, a Good Leaver or Leaver may retain those LTI Rights that have vested (including those unvested LTI Rights which vest on cessation of employment as set out above) and deal with them subject to the participant giving to Sigma an exercise notice any payment of the exercise price (if any) by the earlier of:<br>• the date the LTI Term ends; and<br>• the date which is 6 months from the cessation date (or 12 months in the case of a participant who ceases employment due to death). |
| Clawback and preventing inappropriate benefits | The Sigma Board has discretion to cancel or clawback LTI Rights (and any Sigma Shares issued or transferred in respect of them) where it determines that those LTI Rights or Sigma Shares were awarded based on a financial statement or performance metric that was materially inaccurate. |
| Change of control | If Sigma becomes, or in the opinion of the Sigma Board is likely to become, subject to a change of control event, the Sigma Board may in its absolute discretion determine how unvested LTI Rights held by a participant will be treated including, but not limited to, determining that some or all of a participant's unvested LTI Rights vest and allowing the participant to exercise those LTI Rights.<br><br>**Treatment under the Transaction**<br>• In relation to the Transaction the Sigma Board has considered the continued employment of LTI participants both during the period of, and following approval of, the Transaction, the significant value delivered to Sigma Shareholders through the Transaction and the key roles executives have performed in relation to the Transaction. The Sigma Board has determined to vest some of the LTI Rights issued under the 2023 Executive Equity Grant Plan and to lapse others and replace them with cash awards, with the majority deferred over the original time horizons of the 2023 Executive Equity Grant Plan, subject to Sigma Shareholder approval at the Sigma Shareholder Meeting, as follows:<br>– 25% of the LTI Rights (being the original service-based component of the grant) lapse upon Implementation and are replaced by a deferred cash bonus of equivalent value that will be paid, subject to continued employment, on 31 January 2026;<br>– 37.5% of the LTI Rights lapse upon Implementation and are replaced by a cash bonus of equivalent value; and<br>– 37.5% of the LTI Rights vest upon Implementation. The ordinary shares in Sigma allocated on vesting of the rights will be subject to disposal restrictions until, and forfeiture for ceasing employment before, 31 January 2026<br>• The terms of the 2024 Long Term Incentive Plan will remain unchanged, except that it is intended that there be an extension of the performance period from 31 January 2027 to 30 June 2027 to align with the Merged Group's 30 June financial year end going forward. The two performance measures in the 2024 Long Term Incentive Plan (being EPS and TSR, as outlined above) will remain, which the Merged Group Board may review following Implementation. |
| Reorganisations, corporate actions, bonus issues, etc | The Sigma Board may, subject to the Listing Rules, adjust the number of LTI Rights held by a participant in the event of a capital reconstruction or other corporate actions. |

| Term | Description |
|---|---|
| Restrictions on dealings | A participant must not:<br>• sell, transfer, encumber or otherwise deal with LTI Rights unless otherwise permitted under the LTI Rights Plans or determined by the Sigma Board; or<br>• enter into any arrangement for the purposes of hedging, or otherwise effecting their economic exposure to the LTI Rights.<br><br>In respect of Sigma Shares issued on the exercise of LTI Rights, participants are free to deal with those shares, subject to Sigma's Share Trading Policy and applicable laws. |
| Expiry date | LTI Rights will lapse and be incapable of exercise on the earlier to occur of the following:<br>• the date the LTI Term ends (if applicable);<br>• the date LTI Rights are forfeited;<br>• the date Sigma commences to be wound up; or<br>• the date otherwise determined by the Sigma Board. |

Figure 52 below sets out the LTI Rights held by the Sigma KMP as at the Prospectus Date.

**Figure 52: Interests of Sigma KMP under the LTI Rights Plans**

| LTI Rights Plan | Number of Performance Rights | Vesting conditions | Expiry date |
|---|---|---|---|
| **Vikesh Ramsunder** | | | |
| **2023 Executive Equity Grant Plan** | 3,112,283 | As set out in Figure 51 above. | As set out in Figure 51 above. |
| **2024 Long Term Incentive Plan** | 1,010,723 | As set out in Figure 51 above. | As set out in Figure 51 above. |
| **Mark Conway** | | | |
| **2023 Executive Equity Grant Plan** | N/A | As set out in Figure 51 above. | As set out in Figure 51 above. |
| **2024 Long Term Incentive Plan** | 281,141 | As set out in Figure 51 above. | As set out in Figure 51 above. |

### 6.5.3.3 CEO Sign-On Rights

In connection with Mr Ramsunder commencement as Managing Director and Chief Executive Officer of Sigma on 1 February 2022, Sigma made a one-off grant of 2,964,845 Performance Rights under the Sigma Rights Plan to Mr Ramsunder in recognition of the exit arrangements from his previous employer (**CEO Sign-On Rights**). Mr Ramsunder has exercised 1,482,423 CEO Sign-On Rights to Sigma Shares and still holds the remaining 1,482,422 CEO Sign-On Rights (which have vested).

The CEO Sign-On Rights have the key terms set out in Figure 53 below.

**Figure 53: Summary of CEO Sign-On Rights**

| Term | Description |
|---|---|
| Type and number of securities | Each CEO Sign-On Right represents a right to acquire a Sigma Share once that CEO Sign-On Right has vested. |
| Vesting | The CEO Sign-On Rights were subject to the following vesting conditions:<br>• 1,482,423 CEO Sign-On Rights vesting 12 months from the date of Mr Ramsunder's employment commencement date;<br>• 1,482,422 CEO Sign-On Rights vesting 24 months from the date of Mr Ramsunder's employment commencement date,<br><br>in each case, subject to Mr Ramsunder being continuously employed by the Sigma on, and have not given notice of termination of employment prior to, the vesting date.<br><br>The CEO Sign-On Rights have all vested. |
| Issue price and exercise price | No amount was or is payable by Mr Ramsunder to acquire or exercise, respectively, the CEO Sign-On Rights. |

| Term | Description |
|---|---|
| Exercise period | The CEO Sign-On Rights must be exercised before their expiry (being 4 years from their issue date).<br><br>Mr Ramsunder has exercised 1,482,423 CEO Sign-On Rights to Sigma Shares, leaving 1,482,422 still to be exercised. |
| Cessation of employment | On cessation of employment, the Sigma Board has absolute discretion to determine whether Mr Ramsunder is a 'Bad Leaver', a 'Good Leaver' or a 'Leaver' (as defined under the rules of the Sigma Rights Plan):<br>• Bad Leaver – all CEO Sign-On Rights (unvested or vested) will be forfeited.<br>• Good Leaver<br>– in the case of cessation of employment by reason of redundancy – all Unvested CEO Sign-On Rights will automatically vest on the date of ceasing employment;<br>– cessation of employment other than by reason of redundancy – subject to the Sigma Board's discretion to determine otherwise, CEO Sign-On Rights will vest pro rata to the proportion of the vesting period that has elapsed as at the date on which employment ceases. Any CEO Sign-On Rights which remain unvested will be forfeited.<br>• Leaver – unvested CEO Sign-On Rights will normally be forfeited, subject to the Sigma Board's discretion to permit some or all of those CEO Sign-On Rights to vest.<br><br>Any vested CEO Sign-On Rights retained by Mr Ramsunder upon cessation of employment with Sigma may be exercised by Mr Ramsunder by the earlier of:<br>• the expiry date of the CEO Sign-On Rights (being 4 years from their issue date); and<br>• the date which is 6 months from the cessation date (or 12 months in the case of ceasing employment due to death). |
| Change of control | If Sigma becomes, or in the opinion of the Sigma Board is likely to become, subject to a change of control event, all unvested CEO Sign-On Rights will automatically vest and be exercisable to Sigma Shares.<br><br>**Treatment under the Transaction**<br>The CEO Sign-On Rights have all already vested in their ordinary course. |
| Reorganisations, corporate actions, bonus issues, etc | The Sigma Board may, subject to the Listing Rules, adjust the number of CEO Sign-On Rights held by Mr Ramsunder in the event of a capital reconstruction or other corporate actions. |
| Restrictions on dealings | Mr Ramsunder must not:<br>• sell, transfer, encumber or otherwise deal with CEO Sign-On Rights unless otherwise permitted under the Sigma Rights Plan or determined by the Sigma Board; or<br>• enter into any arrangement for the purposes of hedging, or otherwise effecting their economic exposure to the CEO Sign-On Rights.<br><br>In respect of Sigma Shares issued on the exercise of CEO Sign-On Rights, Mr Ramsunder is free to deal with those shares, subject to Sigma's Share Trading Policy and applicable laws. |
| Expiry date | CEO Sign-On Rights will lapse and be incapable of exercise on the earlier to occur of the following:<br>• the expiry date (being 4 years from their date of issue)<br>• the date CEO Sign-On Rights are forfeited;<br>• the date Sigma commences to be wound up; or<br>• the date otherwise determined by the Sigma Board. |

## 6.6 Summary of related party arrangements and their management

### 6.6.1 Introduction

Following Implementation of the Transaction, the Merged Group:

- will be party to a number of existing related party arrangements; and
- is expected to enter into a number of new related party arrangements, including as a result of renewals or amendments to existing related party arrangements.

The existing related party arrangements are arrangements between Chemist Warehouse and its related parties which, on Implementation, will become related party arrangements of the Merged Group, as well as arrangements between Sigma and parties (being existing related parties of Chemist Warehouse) who will become related parties of the Merged Group on Implementation (**Existing Related Party Arrangements**).

Sections 6.6.2 to 6.6.5 below address the existing related party arrangements and Sections 6.6.6 to 6.6.11 address the new related party arrangements and associated governance framework.

### 6.6.2 Overview

The Existing Related Party Arrangements are arrangements in place at 6 December 2024 with Existing Related Persons (defined below) comprised of the:

- Existing Related Person franchise arrangements (discussed in Section 6.6.3 below); and
- Existing Related Person property arrangements (discussed in Section 6.6.4 below); and
- Other Existing Related Person Arrangements (discussed in Section 6.6.5 below).

The **Existing Related Persons** are:

- Mario Verrocchi;
- Jack Gance;
- Damien Gance;
- Danielle Di Pilla;
- Sam Gance; and
- Sasha Robertson (the spouse of Damien Gance).

### 6.6.3 Related Party Franchise Arrangements

The majority of the Existing Related Party Arrangements occur because the Existing Related Persons are, or have an interest in, Chemist Warehouse Franchisees with whom Chemist Warehouse Group has entered into a suite of documents for each pharmacy (with the suite dependent on whether the pharmacy is in New South Wales or another Australian state or territory).

The pro forma suite of documents, described in detail in Section 9.6.1.1, for:

- New South Wales (which became effective from January 2025) is the 'services agreement (NSW pharmacies)' (see Section 9.6.1.1.4), 'supply agreement (NSW pharmacies)' (see Section 9.6.1.1.5), 'trade mark licence (NSW pharmacies)' (see Section 9.6.1.1.6) and a version of the 'occupancy licence (all Australian pharmacies)' tailored for NSW (see Section 9.6.1.1.3); and
- each other Australian state or territory is the 'pro forma franchise agreement (for Australian pharmacies excluding NSW)' (see Section 9.6.1.1.1), 'pro-forma supply arrangement (for Australian pharmacies excluding NSW)' (see Section 9.6.1.1.2) and 'occupancy licence (all Australian pharmacies)' (see Section 9.6.1.1.3).

In addition to these key agreements, some franchisees (in all states, including NSW) also obtain further support from Chemist Warehouse in the form of a loan agreement or a fit-out lease for the relevant premises – see further Section 9.6.1.1.8.

Chemist Warehouse has confirmed that the arrangements with the Existing Related Persons are materially consistent with the pro forma suite of documents.

In relation to the existing arrangements, pricing and fees under the agreements were negotiated individually with each relevant Chemist Warehouse Franchisee. In the future, pricing under new, certain amended or renewed franchise arrangements with Related Parties will be charged consistently with Chemist Warehouse's standard and Board-approved[162] pricing for all franchisee pharmacies, which will apply for all new Chemist Warehouse branded pharmacies and will be implemented following implementation of the Transaction (**Standard Pricing**), irrespective of whether the pharmacy business is owned by a Related Party or a nonRelated Party.

162. With related party directors who are or have an interest in a franchisee abstaining.

Furthermore, each Chemist Warehouse Franchisee (including the Existing Related Persons) has entered into standard trading terms with Sigma (**Trading Terms**) (described in Section 9.6.1.1.7).

As at 6 December 2024, as set out in the table below, 180 pharmacies (of the 573 pharmacies in the Chemist Warehouse Australian Franchise Network as at 6 December 2024) are either wholly or partly owned by an Existing Related Person.

| Existing Related Person | Number of Australian pharmacies |
|---|---|
| Mario Verrocchi | 36 |
| Jack Gance | 24 |
| Damien Gance | 20 |
| Samuel Gance | 37 |
| Danielle Di Pilla | 17 |
| Mario Verrocchi and Jack Gance via East Yarra Friendly Society Pty Ltd (a friendly society jointly owned-by Mario Verrocchi and Jack Gance) (**EYFS**)[163] | 43 |
| Sasha Robertson | 19 |
| Eliminations[164] | -16 |
| **Total Existing Related Person pharmacies** | **180** |

The following table identifies the aggregate revenue derived from the Existing Related Persons in respect of the franchising arrangements (excluding the Occupancy Licence which is discussed further below) in all states and territories for FY24 and for the first quarter of FY25. The change of arrangements in NSW from January 2025 is not expected to have a material impact on the earnings of the Merged Group.

| | FY24 | | | 1 July 2024 to 30 September 2024 | | | |
|---|---|---|---|---|---|---|---|
| **Existing Related Person** | **Sales of goods (,000)[165]** | **Other revenue (,000)[166]** | **Total (,000)** | **Sales of goods (,000)[167]** | **Trading Terms (,000)[168]** | **Other revenue (,000)[169]** | **Total (,000)** |
| Mario Verrocchi | **$274,693** | **$41,731** | **$316,424** | $66,126 | $81,548 | $14,693 | $162,367 |
| Jack Gance | **$217,009** | **$31,855** | **$248,864** | $52,134 | $65,442 | $10,264 | $127,840 |
| Damien Gance | **$85,190** | **$15,040** | **$100,230** | $20,313 | $27,082 | $5,030 | $52,425 |
| Danielle Di Pilla | **$53,744** | **$10,792** | **$64,536** | $14,724 | $20,823 | $3,924 | $39,471 |
| Sam Gance | **$153,038** | **$26,336** | **$179,374** | $38,939 | $40,815 | $9,857 | $89,611 |
| Sasha Robertson | **$70,581** | **$12,611** | **$83,192** | $16,824 | $22,284 | $4,960 | $44,068 |
| Eliminations[170] | **($175,107)** | **($22,169)** | **($197,276)** | ($41,974) | ($55,130) | ($7,462) | ($104,566) |
| **Total Existing Related Person revenue** | **$679,148** | **$116,196** | **$795,344** | **$167,086** | **$202,864** | **$41,266** | **$411,216** |
| **Total revenue** | **$2,424,772** | **$869,631** | **$3,294,403** | **$618,996** | **$622,116** | **$261,717** | **$1,502,829** |

163. Mario Verrocchi and Jack Gance each own 50% of EYFS.
164. These 16 eliminations are included as 14 pharmacies are jointly owned by Mario Verrocchi and Sam Gance, one pharmacy is jointly owned by Mario Verrocchi and EYFS and one pharmacy is jointly owned by Jack Gance and EYFS, and have been removed to avoid double counting as they are included in the pharmacies owned by the relevant Existing Related Persons above.
165. This column includes all sales revenue (being revenue associated with the sale of goods) from the Existing Related Persons, which is predominantly payments under the Supply Arrangements.
166. Includes services revenue and fees revenue.
167. This column includes all sales revenue (being revenue associated with the sale of goods) from the Existing Related Persons, which is predominantly payments under the Supply Arrangements.
168. This column includes all sales made under the Trading Terms.
169. Includes services revenue and fees revenue.
170. Eliminations reflect that some Australian Franchise Network stores are partially owned by more than one Existing Related Person and prevent double counting. For example, EYFS pharmacies are owned 50/50 by Mario Verrocchi and Jack Gance.

Whilst the figures above for FY24 include amounts payable for the supply of goods under the franchising arrangements, the Sigma Supply Agreement[171] came into effect on 1 July 2024 and introduced several pricing changes relevant for the Supply Arrangements, meaning the FY24 figures provided above are not necessarily representative of the total fees expected to be paid by Existing Related Persons going forward. Furthermore, figures for the supply of goods under the Trading Terms also cannot be provided for FY24, because these were only introduced following the introduction of the Sigma Supply Agreement, meaning these terms were not in use in FY24 for Chemist Warehouse Franchisees.

For the reasons stated above, while figures for FY24 are provided, the period from 1 July 2024 to 30 September 2024 is the most representative indication of the quantum of the fees to be paid by the Existing Related Persons under the Existing Related Person Supply Arrangements moving forward. In accordance with accounting standard requirements, in situations where Chemist Warehouse wholesale sales are directly delivered by Sigma to stores, Chemist Warehouse recognises revenue as the consideration received from the customer, net of amounts payable to Sigma (these are recognised in "Other revenue"). Following Implementation, under such scenarios the revenue will be recognised as the consideration received from the customer, without netting the amounts payable to Sigma (these will be recognised in "Sale of goods").

### 6.6.4 Related Party property arrangements

Properties from which Chemist Warehouse Franchisees operate their pharmacies are generally leased by the Merged Group from a commercial landlord under a lease (**Head Lease**). The properties leased under the Head Lease are then licensed to the Chemist Warehouse Franchisee for the purpose of operating their pharmacy under an Occupancy Licence, which is based on the pro forma Occupancy Licence described in Section 9.6.1.1.3. Chemist Warehouse receives payments through licence fees (**Licence Fee**) paid under these Occupancy Licences. This Licence Fee is a pass through of the rent payable under the Head Lease.

A number of the properties the subject of Head Leases in Australia and New Zealand are owned by the Existing Related Persons. Franchises associated with the Existing Related Persons are also licensees under the Occupancy Licences. In some, but not all cases, an Existing Related Person is both the landlord and has an interest in the licensee in respect of the same property. The terms of each Existing Related Person lease and Existing Related Person licence are based on pro forma documents which are summarised in 9.6.1.1.9.

The table below sets out the number of leases and licences the group has entered into with each Existing Related Person, as at 6 December 2024. The number of leases below are predominantly for store premises, but also include a distribution centre / warehouse operated by the group in Preston and two immaterial office sites (in Moonee Ponds and Oakleigh). The terms of the Preston distribution centre / warehouse lease are summarised in Section 9.6.1.1.9.

| Existing Related Person | Number of Existing Related Person leases[172] | Number of Existing Related Person licences |
|---|---|---|
| Mario Verrocchi | 127 | 83 |
| Jack Gance | 131 | 71 |
| Damien Gance | 102 | 22 |
| Samuel Gance | 131 | 38 |
| Danielle Di Pilla | 0 | 18 |
| Sasha Robertson | 0 | 21 |
| Eliminations[173] | -358 | -61 |
| **Total** | **133** | **192** |

171. Prior to Implementation of the Transaction, Chemist Warehouse arranged for Sigma to supply goods to Chemist Warehouse's franchisees. This is pursuant to a supply agreement between Chemist Warehouse and Sigma, which was announced by Sigma to ASX on 6 June 2023. This agreement covers the supply by Sigma of both PBS medicines, non-PBS prescription medicines, OTC product and FOS products to Chemist Warehouse franchisees. The Sigma Supply Agreement governs the supply of goods from:
    - in respect of PBS medicines, non-PBS prescriptions and OTC products, Sigma direct to Chemist Warehouse Franchisees (including Existing Related Person Franchisees), under the Trading Terms; and
    - in respect of FOS products, Sigma to Chemist Warehouse (which will become an intragroup arrangement from Implementation of the Transaction), with those FOS products then being on-sold by Chemist Warehouse to Chemist Warehouse Franchisees (including Existing Related Person Franchisees).
172. At the date of this Prospectus, one of the Existing Related Persons also leases some office premises in Preston to Chemist Warehouse. It is intended that that lease is terminated around the Implementation Date of the Transaction and it has not been included in the figures in this table.
173. Eliminations made to ensure there is no double counting of the same lease and licences where they relate to multiple Existing Related Persons.

The table below sets out the amounts received or paid to each Existing Related Person under the property arrangements discussed above in FY24 (to the extent such property arrangements were in place during FY24).

| Existing Related Person | Lease payments by Chemist Warehouse under the Existing Related Person Leases in FY24 ($m) | Licence fees paid by the Existing Related Person to Chemist Warehouse under the Existing Related Person Licences in FY24 ($m) |
|---|---|---|
| Mario Verrocchi | 41.9 | 24.9 |
| Jack Gance | 42.2 | 21.7 |
| Damien Gance | 36.7 | 6.1 |
| Samuel Gance | 42.2 | 10.3 |
| Danielle Di Pilla | – | 4.8 |
| Sasha Robertson | – | 6.2 |
| Eliminations[174] | -121.0 | -17.8 |
| **Total** | **41.9** | **56.2** |

## 6.6.5 Other Related Party Arrangements

### 6.6.5.1 My Beauty Spot

My Beauty Spot Pty Ltd (**My Beauty Spot**), which is owned by EYFS (an entity controlled by Mario Verrocchi and Jack Gance) operates small fragrance kiosks in shopping centres. The My Beauty Spot business is currently in run-down, with the majority of kiosks having been closed down and underlying leases being terminated. However, six My Beauty Spot stores will still operate briefly following Implementation until their leases expire. The final My Beauty Spot store is expected to be closed permanently on 27 April 2026.

Between 1 January 2025 and the expected final closure in April 2026, the My Beauty Spot stores owned by EYFS are expected to pay approximately $4.88 million in payments to the Merged Group consisting of fees for administration services provided by the Merged Group and purchases for the supply of stock by the Merged Group.

Three of the leases for the remaining My Beauty Spot stores are supported by a group bank guarantee under a Chemist Warehouse bank guarantee facility. These bank guarantees will be released progressively as the three My Beauty Spot stores are closed.

### 6.6.5.2 AMS Constructions

AMS Constructions Pty Ltd (**AMS Constructions**) is 49% owned by Compounding Investment Management Pty Ltd (**CIM**), an entity in which Damien Gance, Jack Gance, Mario Verrocchi and Samuel Gance each hold shares equivalent to 14.3% of CIM (individually) and 57% (collectively).

AMS Constructions is a construction business focused on commercial building projects. AMS Constructions project manages many fit outs of Chemist Warehouse Australian Franchise Network stores, often arranging the relevant building-related permits as a registered builder. AMS Constructions engages subcontractors on behalf of store owners to carry out works and supply materials, with payments made directly by each Chemist Warehouse Australian Franchise Network store.

The Chemist Warehouse Group also contracts AMS Constructions to project manage construction projects directly for the Chemist Warehouse Group from time to time. In FY24, the aggregate amount purchased from AMS Constructions by entities in the Chemist Warehouse Group was $1,342,718 (excluding GST).

### 6.6.5.3 Tilley Soaps

Tilley Soaps Australia Pty Ltd is a manufacturer of soap, fragrance and skincare products and supplies goods to Chemist Warehouse Group. As at 6 December 2024, shares in Tilley Soaps are held by Goat Consortium Pty Ltd (39%) and unrelated third parties. Goat Consortium is indirectly owned by Mario Verrocchi (30%) and Danielle Di Pilla (40%). Prior to Implementation, the 39% interest in Tilley Soaps held by Goat Consortium will be acquired by the Chemist Warehouse Group for approximately $3.9 million. Chemist Warehouse Group is also in discussions with one of the unrelated party shareholders regarding the purchase of an additional 11% in Tilley Soaps. If this acquisition occurs in the future, Tilley Soaps would be owned 50% by the Merged Group and 50% by unrelated third parties.

In FY24, Chemist Warehouse, and entities that are now associated with it paid approximately $10.4 million dollars to Tilley Soaps in relation to the purchase of goods.

174. Eliminations made to ensure there is no double counting of the same lease and licences where they relate to multiple Existing Related Persons.

### 6.6.5.4 Related Party Loans and Fit-Out Leases

As discussed in Section 3.2.6.1, the Merged Group may provide loans to Chemist Warehouse Franchisees for the establishment of their pharmacy business (**Seed Loans**) and fit-out leases to support Chemist Warehouse Franchisees (**Fit-out Leases**). In some cases, Existing Related Persons are the borrower or lessee under these Seed Loans and Fit-out Leases, meaning the Merged Group provides a loan or lease to a pharmacy business in which a Related Party has an economic interest (each, a **Related Party Loan**).

It is currently expected that, immediately following Implementation of the Transaction, there will be approximately $23,435,132 outstanding under Related Party Loans or leases, either in the form of a Seed Loan or Fit-out Lease.

In each case, the Seed Loans and Fit-out Leases have identical terms for the Existing Related Persons and non-Related Parties and are based on the relevant pro forma loan agreement, or pro forma fit-out lease, each as summarised in Section 9.6.1.1.8

### 6.6.6 Overview of Future Related Party Dealings

Given the number of the related party arrangements relevant to the ongoing operation of the Merged Group, and the need to operate the Merged Group without having to frequently seek the approval of Merged Group Shareholders, the Merged Group has developed the Related Party Governance Framework. This governs the process and terms on which the Merged Group and Related Parties[175] may undertake certain future related party dealings after Implementation of the Transaction (including entering into new arrangements or renewing or amending existing arrangements). Sigma Shareholders approved these dealings at the extraordinary general meeting held on 29 January 2025 (**Related Party Approval**).

Future related party dealings will not require further Merged Group Shareholder approval under ASX Listing Rule 10.1, provided the arrangement is identified in column "A" in the table in Section 6.6.8 below and:

- is entered into in accordance with the Related Party Governance Framework (described in Section 6.6.7);
- complies with any Approval Conditions (described in column "B" in Section 6.6.8 below); and
- is entered into in the Future Related Party Dealings Framework Period (discussed below),

where the dealing meets these criteria, it is a **Future Related Party Dealing**.

Since 6 December 2024, being the reference date for the disclosures in Section 6.6, Chemist Warehouse has entered into a number of related party arrangements in the ordinary course of business, which Chemist Warehouse considers satisfy the criteria to be Future Related Party Dealings and to not have a material impact on Section 6.6. If any such additional related party arrangements do not satisfy the criteria to be Future Related Party Dealings, as determined by the Independent Board Committee (as defined below) following Implementation, they will automatically terminate.

The **Future Related Party Dealings Framework Period** ends at the close of the 6th AGM of the Merged Group following the extraordinary general meeting held on 29 January 2025, at which point the ability to engage in Future Related Party Dealings without obtaining further shareholder approval ends. At or prior to this time it is expected that shareholders of the Merged Group will be asked to re-approve the Related Party Governance Framework (or another framework under which related party arrangements may be entered into, renewed or amended without requiring further shareholder approval) and future related party dealings under it. Related party arrangements which are on foot at the end of the Future Related Party Dealings Framework Period will continue regardless of the results of voting at the relevant AGM.

As an Approval Condition, certain Future Related Party Dealings must be approved by either the Related Party IBC or Related Party Working Group (under delegated authority by the Related Party IBC, which may be withdrawn at any time, in relation to certain categories of Future Related Party Dealings).

### 6.6.7 Related Party Governance Framework

To manage the ongoing related party arrangements on an ongoing basis and to ensure they remain on arm's length terms, as well as be able to undertake Future Related Party Dealings pursuant to (and subject to receipt of) the Related Party Approval, the Merged Group Board will:

- establish an independent board committee (**Related Party IBC**) to oversee the ongoing related party arrangements;
- establish a working group of independent senior management of Sigma to manage the ongoing related party arrangements on a day to day basis (**Related Party Working Group**);
- approve protocols to govern the operation of the Related Party IBC (**IBC Protocols**) and Related Party Working Group (**Working Group Protocols**); and
- approve a manual to be consulted by the Related Party IBC and Related Party Working Group in their administration of the ongoing related party arrangements (**Related Party Manual**).

These are together the "**Related Party Governance Framework**".

175. Related Parties are all persons identified in Listing Rule 10.1, including directors of Sigma and those persons who hold more than 10% of Sigma Shares.

### 6.6.8 Approval Conditions for Future Related Party Dealings

The table below lists the different types of future related party arrangements (which may be **Future Related Party Dealings**) and the Approval Conditions which must be satisfied in order for each type of arrangement to be a Future Related Party Dealing – if also entered into in accordance with the Related Party Governance Framework during the Future Related Party Dealings Framework Period – such that further Merged Group shareholder approval under Listing Rule 10.1 is not required (given, if Implementation of the Transaction occurs, the Related Party Approval has already been obtained).

The types of future related party arrangements that are capable of being Future Related Party Dealings (ie column "A") are those that are likely to be required to entered into in the ordinary course of business.

The Approval Conditions are intended to operate as safeguards in circumstances where the transactions will not be approved by Merged Group shareholders.

| Item | "A"<br>Type of future related party arrangement | "B"<br>Approval Conditions |
|---|---|---|
| **Franchise arrangements** | | |
| 1 | Exercise of an option to extend a franchise agreement that is approved as an Existing Related Party Arrangement or Future Related Party Dealing | None. |
| 2 | • Renegotiation of commercial and non-commercial terms of Existing Related Person Franchise Agreements (in states other than NSW) or Existing Related Party Arrangements under the NSW Documents; and[176]<br>• Changing or entering into new franchise agreements (in states other than NSW) or new NSW Documents with a Related Party. | In the case of all states and territories other than NSW:<br>• In respect of a change to a commercial term of an Existing Related Person Franchise Agreement, the change:<br>– conforms to the then-current Merged Group Board[177] approved Standard Pricing[178] for franchisees or is more favourable to the Merged Group;<br>– is consistent with the Principles (discussed in Section 6.6.11 below); and<br>– is approved by the Related Party IBC.<br>• In respect of a change to a non-commercial term of an Existing Related Person Franchise Agreement, the change:<br>– substantively conforms to the form of the then Pro Forma Franchise Agreement;<br>– is consistent with the Principles; and<br>– is approved by the Related Party IBC.<br>• In respect of the entry into a new franchise agreement with a Related Party, the new franchise agreement:<br>– conforms to the then-current Merged Group Board[179] approved Standard Pricing for franchisees or is more favourable to the Merged Group;<br>– substantively conforms to the form of the then Pro Forma Franchise Agreement;<br>– is consistent with the Principles; and<br>– is approved by the Related Party IBC. |

176. The framework for renegotiation of commercial and non-commercial terms of franchise agreements, and entry into new franchise agreements, needs to be approved in respect of each Future Related Party Dealings Framework Period. Any renegotiated commercial or non-commercial terms of franchise agreements, or entry into new franchise agreements, including the exercise of any options under such arrangements, in accordance with such approved Related Party Governance Framework applicable during the relevant Future Related Party Dealings Framework Period does not need to be approved again by Merged Group Shareholders and those arrangements will continue to operate on their terms.
177. With related party directors who are or have an interest in a franchisee abstaining.
178. From time to time, the Merged Group Board may amend the Standard Pricing with related party directors who are or have an interest in a franchisee abstaining.
179. With related party directors who are or have an interest in a franchisee abstaining.

| Item | "A"<br>Type of future related party arrangement | "B"<br>Approval Conditions |
|---|---|---|
| | | In the case of the NSW Documents:<br>• In respect of a change to a commercial term of a NSW Document, the change:<br>– Conforms to the then-current Merged Group Board[180] approved Standard Pricing or is more favourable to the Merged Group;[181]<br>– is consistent with the Principles; and<br>– is approved by the Related Party IBC.<br>• In respect of a change to a non-commercial term of a NSW Document, the change:<br>– substantively conforms to the form of the relevant pro forma document in use for the NSW Documents from time to time;<br>– is consistent with the Principles; and<br>– is approved by the Related Party IBC.<br>• In respect of the entry into a new NSW Document with a Related Party, that new NSW Document:<br>– conforms to the then-current Merged Group Board[182] approved Standard Pricing for franchisees or is more favourable to the Merged Group;[183]<br>– substantively conforms to the form of the relevant pro forma for the NSW Document;<br>– is consistent with the Principles; and<br>– is approved by the Related Party IBC.<br>It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters outlined in this row (which delegation may be withdrawn by the Related Party IBC). |
| 3 | Acquisition of a new franchise pharmacy or a part interest in a franchise pharmacy from either a Related Party or a non-related party (without renegotiation) | There are no new commercial terms agreed or amended between the Merged Group and the franchise in connection with the acquisition. |
| 4 | Changes to commercial or non-commercial term of franchise arrangements in either NSW or other states and territories initiated by the Merged Group (other than regulatory changes discussed in item 5) | The change is substantively consistent across all franchise arrangements in the relevant State or Territory and is approved by the Related Party IBC. |
| 5 | Changes to overall or particular franchise arrangements in either NSW or other states and territories in response to regulatory changes | If the change:<br>• is a regulatory change imposed on the operations of the Merged Group (whether that regulatory change applies across the Australian Franchise Network of pharmacies, a particular State or Territory, a particular type of franchise (eg. a franchise owned through a partnership or via a company) or any other category of franchise arrangement) which does not only affect Existing Related Persons; and<br>• the regulatory change is made consistently across all franchisees to which the relevant regulatory change applies.<br><br>To the extent the regulatory change affects only a Related Party or the Existing Related Persons, it must be approved by the Related Party IBC. |

180. With related party directors who are or have an interest in a franchisee abstaining.
181. From time to time, the Merged Group Board may amend the Standard Pricing with related party directors who are or have an interest in a franchisee abstaining.
182. With related party directors who are or have an interest in a franchisee abstaining.
183. From time to time, the Merged Group Board may amend the Standard Pricing with related party directors who are or have an interest in a franchisee abstaining.

| Item | "A"<br>Type of future related party arrangement | "B"<br>Approval Conditions |
|---|---|---|
| **Existing Related Person Supply Agreements** | | |
| 6 | Renewing, amending, or entering into new Supply Arrangements | The change is approved by the Related Party IBC, and is consistent with the Pro Forma Supply Agreement and Standard Pricing (or is more favourable to the Merged Group).<br><br>It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 6. |
| **Existing Related Person Leases and Existing Related Person Licences** | | |
| 7 | Exercise of an option to extend a lease that is approved as an Existing Related Party Arrangement | None. |
| 8 | Entering into future leases, renewals and amendments to Existing Related Person Leases[184] | • the applicable rent is determined by an independent property advisory firm, with no more than 40% (by number) of these valuations performed by the same property advisory firm over the Future Related Party Dealings Framework Period;<br>• the lease terms are<br>– substantively consistent with the terms of the relevant then Pro Forma Lease;<br>– consistent with the Principles; and<br>– approved by the Related Party IBC. |
| 9 | Acquisition by a Related Party of a property leased to the Chemist Warehouse Group | • the pre-existing lease relating to the property, which was negotiated by a third-party commercial landlord on arm's length terms, remains in place with no changes to the commercial terms of that lease; or<br>• if a new lease is negotiated, it is based on the Pro Forma Lease and the rent payable under the relevant lease is determined by an independent property advisory firm, and it is approved by the Related Party IBC.<br><br>It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 9. |
| 10 | Entering into future licences, renewals and amendments to Existing Related Person Licences | • the licence has terms substantively consistent with the terms of the then pro forma licence;<br>• the licence fee is equal to the rent under the Head Lease; and<br>• is approved by the IBC.<br><br>It is intended that the IBC delegate authority to the Related Party Working Group to approve the matters under this item 10. |
| **Financing arrangements** | | |
| 11 | Entering into financing arrangements with franchisees, including renewals and amendments to the financing arrangements approved as Existing Related Party Arrangements | The loan agreement has terms substantively consistent with the terms of the then Pro Forma Loan Agreement or the then Pro Forma Fit-out Lease and is approved by the Related Party IBC.<br><br>It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 11. |

184. The framework for entering into new leases, renewals of existing leases and amendments to existing leases needs to be re-approved at the 6th AGM following the meeting of Sigma Shareholders at which the Related Party Approval is granted (which took place on 29 January 2025). This AGM is currently expected to take place in November 2030. The entry into any new leases, renewals of existing leases and amendments to existing leases in accordance with the Related Party Governance Framework does not need to be approved again by Merged Group Shareholders and those arrangements will continue to operate on their terms.

### 6.6.9 Annual reporting on Future Related Party Dealings

In addition to the ordinary requirements for related party transaction annual report disclosure required by the Corporations Act and Corporations Regulations, as a condition of the final listing approval granted to Sigma, ASX requires the Merged Group to include the following additional information on the Future Related Party Dealings in the annual report of the Merged Group:

- the number of Future Related Party Dealings approved pursuant to the above conditions in each financial year;
- the value of such arrangements and the identity of the Related Party involved; and
- report on any actions taken by the Related Party IBC in each financial year.

### 6.6.10 Related Party IBC and Related Party Working Group

The Related Party IBC will be delegated authority by the Merged Group Board to, where it is an Approval Condition:

- negotiate and enter into Future Related Party Dealings; and
- renew and amend Existing Related Party Arrangements and Future Related Party Dealings.

The Related Party IBC will be governed by a set of Merged Group Board-approved protocols.

The Related Party Working Group will be established to manage related party arrangements on an everyday basis, to ensure the related party arrangements are within the scope of the Related Party Approval and to administer the Related Party Manual on a day to day basis at a management level. The Related Party Working Group will also be governed by a set of Merged Group Board-approved protocols.

The Related Party IBC and Related Party Working Group have been established to oversee that:

- any Future Related Party Dealings;
- amendments to the Existing Related Party Arrangements and Future Related Party Dealings; and
- renewal of any Existing Related Party Arrangements and Future Related Party Dealings,

are, in each case:

- within the scope of the Related Party Approval; and
- compliant with Listing Rule 10.1 and Chapter 2E (including the requirement to obtain Merged Group Shareholder approval where necessary).

The membership of the Related Party IBC and Related Party Working Group is determined by the respective Protocols. Existing Related Persons and their associates are excluded from membership of the Related Party IBC and Related Party Working Group.

### 6.6.11 Related Party Manual

The purpose of the Related Party Manual is to:

- provide a framework for administration of the ongoing related party arrangements by the Merged Group Board, the Related Party IBC and the Related Party Working Group;
- provide guidance to the Related Party IBC and Related Party Working Group in their management of the ongoing related party arrangements;
- give effect to the underlying policy of Listing Rule Chapter 10 and Chapter 2E; and
- ensure that the ongoing related party arrangements comply with the Related Party Approval, Listing Rule Chapter 10 and Chapter 2E.

In administering the ongoing related party arrangements, interpreting the Related Party Manual and making any decision in relation to an ongoing related party arrangement, the Merged Group Board, the Related Party IBC and the Related Party Working Group are bound to consider these principles set out in the Related Party Manual:

- Principle 1 – a Future Related Party Dealing must be in the best interests of Merged Group Shareholders as a whole.
- Principle 2 – a Future Related Party Dealing must be on terms that would be reasonable in the circumstances if the Merged Group and the Related Party were dealing at terms which are arm's length or less favourable to the Related Party.
- Principle 3 – without limiting Principle 2, a Future Related Party Dealing must be substantively on the same terms as an equivalent arrangement with a third party who is not a Related Party, or on terms more favourable overall to the Merged Group,

together, the Principles.

## 6.7 Corporate governance

This Section 6.7 explains how the Sigma Board oversees the management of Sigma's business, and upon Implementation, how the Merged Group Board will oversee the management of the Merged Group's business. The Sigma Board is responsible for the overall corporate governance of Sigma, including establishing and monitoring key performance goals. The Sigma Board monitors the operational and financial position and performance of Sigma and oversees its business strategy, including approving the strategic goals of Sigma and considering and approving an annual business plan (including a budget).

The Sigma Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Sigma Group. In conducting Sigma's business with these objectives, the Sigma Board seeks to ensure that Sigma is properly managed to protect and enhance shareholder interests, and that Sigma and the Sigma Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Sigma Board has created a framework for managing Sigma, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Sigma's business and which are designed to promote the responsible management and conduct of Sigma.

The ASX Corporate Governance Council has developed and released its fourth edition of the Corporate Governance Principles and Recommendations for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations (ASX Recommendations). The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, Sigma is required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where Sigma does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it and must also disclose what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

## 6.8 Merged Group Board

The name and biographical details of the Sigma Directors and the Proposed Directors are contained in Section 6.1.

Each Sigma Director and Proposed Director has confirmed to Sigma that they anticipate being available to perform their duties as a Non-Executive Director or Executive Director, as the case may be, without constraint having regard to their other commitments.

The Board Charter sets out guidelines for the purpose of determining independence of Sigma Directors which reflect the commentary in the ASX Recommendations. The independence of all Sigma Directors is reviewed annually. The Sigma Board considers that an independent director is a non-executive director who is free of any interest, position or relationship that might influence, or be reasonably perceived to influence, in a material respect the Sigma Director's capacity to bring an independent judgment to bear on the issues before the Sigma Board and to act in the best interest of Sigma as a whole. This includes a person who:

- is not, does not represent, and has not within the last three years been an officer or employee of, or professional adviser to, a substantial security holder of Sigma. A substantial security holder is a security holder who holds more than 5% of the issued capital of Sigma;
- is not, and has not been employed in an executive capacity by Sigma or any member of the Sigma Group, within the three years prior to them serving on the Sigma Board;
- is not, and has not within the last three years been, in a material business relationship (eg as a supplier, professional adviser, consultant or customer) with any member of the Sigma Group, or is an officer of, or otherwise associated with, someone with such a relationship. A material supplier or customer is a supplier or customer who controls more than 5% of the value of Sigma's total purchases or 5% of the value of Sigma's total sales or more than 50% of the suppliers or customers purchases or sales are from or to Sigma;
- does not receive performance-based remuneration (including options or performance rights) from, or participate in an employee incentive scheme of, Sigma;
- does not have close personal ties with any person who falls within any of the categories described above; and
- has not been a Sigma Director for such a period that their independence from management and substantial holders may have been compromised.

The Sigma Board may determine that a non-executive director is independent notwithstanding the existence of a relationship of the kind referred to above. The Sigma Board will state its reasons for making that determination.

As at the Prospectus Date, the Sigma Board considers that each of Michael Sammells, Annette Carey and Neville Mitchell is free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence, the independent exercise of the director's judgement and that each of them is able to fulfil the role of independent director for the purpose of the ASX Recommendations.

With respect to Dr Roberts, as at the Prospectus Date, he is not considered independent as he is a director of HMC Capital Partners Fund 1 and HMC Capital Limited (together the **HMC Parties**) (and the HMC Parties collectively hold more than 5% of Sigma Shares as at the Prospectus Date). Following Implementation, however, the HMC Parties' shareholding in Sigma is expected to be below 5% and therefore Dr Roberts will be considered to be independent in that case. If the Scheme is not implemented, Dr Roberts will continue to be considered to be a non-independent director.

Upon Implementation, it is intended that the following individuals (being the Proposed Directors) will become directors of the Merged Group Board:

- Jack Gance is currently considered by the Sigma Board not to be independent given his former role as an executive of Chemist Warehouse and the fact that he is a substantial shareholder of the Merged Group.
- Mario Verrocchi is currently considered by the Sigma Board not to be independent given his role as an executive of the Merged Group and the fact that he is a substantial shareholder of the Merged Group.
- Damien Gance is currently considered by the Sigma Board not to be independent given his role as an executive of the Merged Group.
- Danielle Di Pilla is currently considered by the Sigma Board not to be independent given her role as an executive of the Merged Group.

Accordingly, as at the Implementation Date, the Merged Group Board will not consist of a majority of independent directors. This is a departure from the ASX Recommendations, however, the Sigma Board considers that the composition of the Merged Group Board following Implementation is appropriate in light of the experience and skills of each of the non-independent directors and the value they will add to the operation of the Merged Group Board.

All of the Proposed Directors have confirmed that they believe that they will be able to, individually and collectively, analyse the issues before them objectively and in the best interests of shareholders and in accordance with their duties as directors. Sigma has undertaken appropriate checks on the Proposed Directors, including criminal record and bankruptcy history.

### 6.8.1 Sigma Board charter

The Board Charter adopted by the Sigma Board sets out the authorities, accountabilities, responsibilities, membership and operations of the Sigma Board in greater detail. It provides that the Sigma Board should comprise Sigma Directors with the appropriate mix of skills, background, experience, knowledge, education, expertise and diversity to enable it to effectively discharge its responsibilities. As noted above, the Board Charter also sets out the criteria for assessment of independence of Sigma Board members.

The Board Charter allows the Sigma Board to delegate powers and responsibilities to committees established by the Sigma Board. Matters determined by the committees are submitted to the full Board as recommendations for decision. The Board retains ultimate accountability to Sigma Shareholders in discharging its duties and under the Board Charter has reserved responsibility for a range of matters.

Upon Implementation, the current Sigma Board Charter will become the Board Charter of the Merged Group (with any necessary administrative changes made to the Board Charter).

### 6.8.2 Sigma Board committees

The Sigma Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities.

As at the Prospectus Date, Sigma has in place a Risk Management and Audit Committee and a Nomination and Remuneration Committee. Details of those committees and their charters are available on Sigma's website. In the event that the Scheme is not implemented, Sigma's existing committee structure will remain intact.

Upon Implementation, it is intended that Sigma will have in place the following standing committees:

- an Independent Board Committee for Related Party transactions;
- an Audit Committee;
- a Nomination and Remuneration Committee; and
- a Risk, Compliance and Sustainability Committee.

Other committees may be established by the Merged Group Board as and when required. Membership of the Merged Group Board committees will be based on the needs of the Merged Group, relevant legislative and other requirements, and the skills and experience of individual Merged Group Directors.

#### 6.8.2.1 Related Party IBC

The role of the Related Party IBC is to amongst other things:

- consider, negotiate, enter into, make any changes or amendments to, and take any actions (including exercise any rights) under the Existing Related Party Arrangements and Future Related Party Dealings, and all matters in connection with or related to Existing Related Party Arrangements or Future Related Party Dealings;
- oversee and monitor compliance of the Existing Related Party Arrangements and Future Related Party Dealings with the requirements of Related Party Approval, the Sigma Board approved protocols, the Related Party Manual, Listing Rule 10.1 and Chapter 2E; and
- ensure that, at all times, the Existing Related Party Arrangements and Future Related Party Dealings are in the best interests of Sigma Shareholders including having regard to the Principles,

Upon Implementation, the proposed composition of the Related Party IBC is intended to be:

- Michael Sammells (Committee Chair)
- Annette Carey
- Neville Mitchell

The Related Party IBC must consist only of independent directors of the Merged Group and must not include a person who is: a Chemist Warehouse nominee director appointed in connection with the Transaction, a Related Party or an associate of a Related Party; a person who was a Related Party or an associate of a Related Party in the 6 months prior to their appointment to the Related Party IBC; or a person who has a current material business relationship (not including by virtue of their Sigma directorship) with a Related Party.

#### 6.8.2.2 Audit Committee

The role of the Audit Committee will be to advise and assist the Merged Group Board in fulfilling its responsibilities for corporate governance and overseeing the Merged Group's financial reporting, integrity of financial statements, and internal and external audit functions. This includes confirming the quality and reliability of the financial information prepared by the Merged Group, working with the external auditor on behalf of the Merged Group Board and reviewing non-audit services provided by the external auditor to confirm they are consistent with maintaining external audit independence.

The Audit Committee recommends the appointment, removal and remuneration of the external auditors. It also reviews the activities and organisational structure of the internal audit function. Prior approval of the Audit Committee must be gained for non-audit services to be performed by the external auditor. There are specified qualitative limits on non-audit services to ensure that the independence of the auditor is maintained. There is also a requirement that the audit partner responsible for the audit to not perform in that role for more than five years.

Upon Implementation, the proposed composition of the Audit Committee is intended to be:

- Neville Mitchell (Committee Chair)
- Chris Roberts
- Michael Sammells
- Jack Gance

As Sigma is included in the S&P/ASX 300 index, it is mandatory that it has an audit committee which has at least three members, all of whom are non-executive directors and a majority of whom are independent directors, and that the committee be chaired by an independent director. The composition of the Audit Committee will therefore be compliant with the ASX Recommendations.

#### 6.8.2.3 Nomination and Remuneration Committee

Consistent with its charter, the Nomination and Remuneration Committee's main responsibilities will be to advise the Merged Group Board on remuneration policies and practices, assess the necessary and desirable competencies of the Merged Group Board members, evaluate the Merged Group Board performance, review the Merged Group Board and management succession plans and to make specific recommendations on remuneration packages for the CEO, non-executive directors and senior management based on an annual review.

The Nomination and Remuneration Committee is primarily responsible for providing recommendations to the Merged Group Board about the nomination and remuneration strategy, policies and practices applicable to non-executive directors and the senior executive team, including the CEO, and senior executives.

Further details of the responsibilities and activities of the Nomination and Remuneration Committee, remuneration policies and structures, details of remuneration and retirement benefits paid to Merged Group Directors will be set out in the Merged Group's remuneration report.

Upon Implementation, the proposed composition of the Nomination and Remuneration Committee is intended to be:

- Annette Carey (Committee Chair)
- Michael Sammells
- Neville Mitchell
- Jack Gance

In accordance with the ASX Recommendations it is mandatory that its members are all non-executive directors. It is suggested that a listed entity has a nomination committee which has at least three members, a majority of whom are independent directors, and that the committee be chaired by an independent director. The composition of the Nomination and Remuneration Committee therefore complies with the ASX Recommendations.

#### 6.8.2.4 Risk, Compliance and Sustainability Committee

Consistent with its charter, the Risk, Compliance and Sustainability Committee's main responsibilities will be to assist the Merged Group Board in managing the Merged Group's risk, compliance, sustainability and occupational health and safety frameworks. It will assist the Merged Group Board with, amongst other things, ensuring robust internal control systems and effective risk and compliance management.

The Risk, Compliance and Sustainability Committee oversees the Merged Group's risk management framework, reviews risk management strategies, promotes a culture of risk management and compliance, and evaluates the Merged Group's insurance coverage. It is responsible for reviewing and approving frameworks and policies that support the compliance management framework. It oversees the Merged Group's sustainability practices (excluding climate change reporting) and reviews environmental, social and governance related policies and management systems. It also manages the Merged Group's OHS practices, including the adequacy of the OHS risk management framework and compliance with OHS laws and regulations.

Upon Implementation, the proposed composition of the Risk, Compliance and Sustainability Committee is intended to be:

- Chris Roberts (Committee Chair)
- Annette Carey
- Mario Verrocchi
- Danielle Di Pilla
- Damien Gance
- Jack Gance

The ASX Recommendations suggest that a listed entity has a risk committee which has at least three members, a majority of whom are independent directors, and that the committee be chaired by an independent director.

Although it will be chaired by an independent director, the composition of the Risk, Compliance and Sustainability Committee will not be in compliance with the ASX Recommendations because it will not have a majority of independent members. Despite this, the Merged Group Board considers that each member will add significant value to deliberations of the Risk, Compliance and Sustainability Committee, because of their considerable experience and skills. Furthermore, the Merged Group Board believes that each of the non-independent directors will bring objective and independent judgement to the Risk, Compliance and Sustainability Committee's deliberations. Each of the non-independent directors believes that they are able to objectively analyse the issues before them in accordance with their duties as directors.

## 6.9 Corporate governance policies

The Sigma Board has adopted the following corporate governance policies, each of which has been prepared having regard to the ASX Recommendations.

### 6.9.1 Continuous Disclosure and Market Communications Policy

As Sigma is listed, it is required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, Sigma is required to immediately advise ASX of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Sigma Shares.

Sigma has adopted a Continuous Disclosure and Market Communications Policy which reinforces its commitment to its continuous disclosure obligations, and describes the processes in place that enable Sigma to provide Sigma Shareholders with timely disclosure in accordance with those obligations. Sigma has established a Continuous Disclosure Committee to ensure that all releases of market sensitive information are made in a timely manner, are accurate and not misleading, and are presented in a clear, balanced and objective way.

Information will be communicated to Sigma Shareholders through the lodgement of all relevant financial and other information with ASX, and copies of Sigma's announcements to ASX are available on Sigma's website. Sigma will not release information that is required to be disclosed to ASX to any media, investor, analyst, news service or member of the public until Sigma has received confirmation from ASX that the information has been released to the market.

Upon Implementation, the current Continuous Disclosure and Market Communications Policy will become the policy of the Merged Group (with any necessary administrative changes made to the policy).

### 6.9.2 Share Trading Policy

Sigma has adopted a Share Trading Policy to ensure:

- any dealings in Sigma Shares and other securities by certain persons comply with legal and regulatory requirements (including the prohibition against insider trading);
- that specific types of transactions by relevant persons associated with Sigma, which are not in accordance with market expectations or may otherwise involve reputational risk to Sigma, are prohibited;
- Sigma maintains market confidence in the integrity of dealings in Sigma Shares; and
- Sigma protects its reputation in relation to the trading of Sigma Securities by persons associated with it.

The policy explains the types of conduct in relation to dealing in securities that are prohibited by law and establish procedures for the buying and selling of securities. The Share Trading Policy explains the overriding principles governing it, including that there must be no dealing whilst in possession of unpublished price-sensitive inside information, and no unauthorised communication of unpublished price-sensitive information.

In addition to these general restrictions, the Share Trading Policy provides that Sigma Directors, employees and contractors and secondees are prohibited from dealing in Sigma Shares during certain "blackout periods" are set around Sigma's key annual financial reporting and other significant events as follows:

- from the end of Sigma's half-year period until the close of business on the day after Sigma releases its half-year results announcement to the ASX;
- from the end of Sigma's full year period until the close of business on the day after Sigma releases its full year results announcement to the ASX;
- from the period which is 21 days' immediately preceding the annual general meeting; and
- at such other time as the Sigma Board prohibits.

Directors and restricted employees must receive prior approval for any proposed dealing in Sigma's Shares outside of the above blackout periods (including any proposed dealing by one of their associates). Even if a trading clearance has been granted, the person remains prohibited from trading under the Share Trading Policy if the person is in possession of unpublished price-sensitive inside information as at the time of the trade.

Upon Implementation, the current Share Trading Policy will become the policy of the Merged Group (with any necessary administrative changes made to the policy).

### 6.9.3 Minimum Shareholding Policy

The Sigma Board encourages the alignment of the interests of the Sigma Directors and senior executives with the long-term interests of Sigma Shareholders. Sigma's Minimum Shareholding Policy sets out the requirements for the minimum shareholding requirements for the Sigma Directors and senior executives. The policy applies to Sigma's key management personnel (including the CEO/Managing Director), including executive and non-executive directors.

The CEO/Managing Director is required to accumulate and maintain for the duration of their position, a minimum shareholding equivalent to 150% of their annual fixed pay (being post-tax base annual salary and any salary sacrificed items, but excluding any superannuation guarantee contributions).

Key management personnel, including the CFO, are required to accumulate and maintain for the duration of their position, a minimum shareholding equivalent to 100% of their fixed pay. This is to be achieved by the 5th anniversary of the date of their appointment (or formally recognised as key management personnel, whichever is the latter).

For the purposes of calculating the minimum shareholding, the following are included:

- only vested Sigma Shares without outstanding loan balances;
- any Sigma Shares or interest in Sigma Shares owned by a closely related party of the CEO/Managing Director or key management personnel; and
- any Sigma Shares or interest in Sigma Shares owned through a trust or in a superannuation fund or are otherwise held for the benefit of the person or entity referred to above.

For the avoidance of doubt, unvested Sigma Shares or rights, vested rights or vested Sigma Shares with loan balances will not be included in the calculation.

Sigma Directors' shareholdings are detailed in Sigma's annual report and are updated to the ASX, as required by the Listing Rules.

The interests of the Sigma Directors as at the Prospectus Date is set out in Section 6.3.2.5 of this Prospectus. The Minimum Shareholding Policy will apply to the Proposed Directors and to Mark Davis as CFO with effect from the Implementation Date.

Upon Implementation, the current Minimum Shareholding Policy will become the policy of the Merged Group (with any necessary administrative changes made to the policy).

### 6.9.4 Code of Conduct Policy

Sigma is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Sigma Board has adopted a formal Code of Conduct Policy that outlines how it expects its employees and contractors to behave and conduct business in the workplace and includes legal compliance and guidelines on honest and ethical behaviour and respect for people and property.

The Code of Conduct Policy is designed to provide a benchmark for professional behaviour throughout Sigma, support its business reputation and corporate image within the community and make Sigma's employees aware of the consequences if they breach this policy.

Upon Implementation. the current Code of Conduct Policy will become the policy of the Merged Group (with any necessary administrative changes, made to the policy).

### 6.9.5 Diversity and Inclusion Policy

The Sigma Board has approved a Diversity and Inclusion Policy, which sets out Sigma's commitment to an inclusive and diverse workforce. Sigma includes in its corporate governance statement each year details of the measurable objectives set under the Diversity and Inclusion Policy of the year to which the corporate governance statement relates, and a summary of Sigma's progress towards achieving those measurable objectives.

Upon Implementation, the current Diversity and Inclusion Policy will become the policy of the Merged Group (with any necessary administrative changes made to the policy).

### 6.9.6 Whistleblower Policy

Sigma is committed to maintaining the highest standards of conduct and ethical behaviour in all of its business activities and to promoting and supporting a culture of honest and ethical behaviour, corporate compliance and good corporate governance. The Whistleblower Policy has been adopted to provide a safe and confidential environment where concerns can be raised by whistleblowers without fear of intimidation, disadvantage or reprisal.

Sigma's Whistleblower Policy outlines:

- who can be an eligible whistleblower;
- what is reportable conduct;
- who Sigma Group team members can make a report to regarding any issue or behaviour which is considered to be reportable conduct (which includes an independent Third Party service that team members can contact to make a report);
- the protections available to whistleblowers; and
- how Sigma will investigate allegations of reportable conduct.

Upon Implementation, the current Whistleblower Policy will become the policy of Merged Group (with any necessary administrative changes made to the policy).

### 6.9.7 Anti-Bribery and Corruption Policy

Sigma is committed to complying with all laws of the jurisdictions in which it operates, including those relating to bribery and corruption. The Anti-Bribery and Corruption Policy notes that bribery and corruption are legally and morally wrong. The policy sets out the responsibilities of Sigma's Directors, senior executives and other employees, including in their dealings with each other and with third parties – including consultants, suppliers, contractors and any other parties with a corporate relationship with Sigma and other Sigma Group Members.

The Anti-Bribery and Corruption Policy sets out the reporting and investigation framework that will be followed where actual or suspected breaches are reported, provides examples of improper conduct and explains Sigma's policy with respect to giving political donations, as well as its policy on gifts, entertainment and hospitality.

Upon Implementation, the current Anti-Bribery and Corruption Policy will become the policy of the Merged Group (with any necessary administrative changes made to the policy).

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# 7 Details of the Offer

# 7. Details of the Offer

## 7.1 Background to the Offer

As announced to the ASX on 11 December 2023, Sigma proposes to acquire 100% of the issued shares in Chemist Warehouse in exchange for a combination of cash and Sigma Shares by way of scheme of arrangement under Part 5.1 of the Corporations Act.

The Transaction is subject to, amongst other things, approval by both Chemist Warehouse Shareholders and Sigma Shareholders. For further information on other conditions, see Section 9.2.

If the Transaction is approved, Sigma will acquire 100% of the issued shares in Chemist Warehouse. Sigma will remain the listed entity and parent of the Merged Group.

One of the conditions of ASX providing relief to Sigma from certain Listing Rules in order to facilitate the continued listing of Sigma on ASX following completion of the Transaction was that Sigma must issue a prospectus (that meets the requirements of section 710 of the Corporations Act) and lodge the prospectus with ASIC and ASX before or concurrently with Implementation. This Prospectus is being issued for that purpose.

## 7.2 The Offer

The Offer contained in this Prospectus is an offer of 10 new Sigma Shares at the Offer Price of $2.90 per Sigma Share to certain investors who have been invited to apply for Sigma Shares. The Offer is being made under this Prospectus to meet a condition imposed by ASX when it determined that, among other things, Sigma is not required to re-comply with ASX's admission and quotation requirements in connection with the Transaction.

The Offer will raise up to $29 before expenses. Any proceeds from the Offer will be used for general corporate purposes.

The Offer is conditional on Implementation and is made on the terms, and is subject to the conditions, set out in this Prospectus.

| Topic | Summary |
|---|---|
| Who is the issuer of this Prospectus? | Sigma |
| What is the type of security being offered? | Sigma Shares (being fully paid ordinary shares in Sigma). |
| What are the rights and liabilities attached to the security being offered? | A description of the Sigma Shares, including the rights and liabilities attaching to them, is set out in Section 7.8 below. |
| What is the consideration payable for each security being offered? | Successful Applicants under the Offer will pay the Offer Price, being $2.90 per Sigma Share. |
| What is the Offer period? | The key dates, including details of the Offer period, are set out on page 8 under "Important dates".<br><br>No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date. |
| What are the cash proceeds to be raised? | Up to $29 will be raised under the Offer based on the Offer Price. |
| Is the Offer underwritten? | No, the Offer is not underwritten. |

| Topic | Summary |
|---|---|
| Will the securities be quoted on the ASX? | Sigma Shares are already quoted on ASX under the existing code "SIG". Sigma will apply for quotation of any Sigma Shares issued under the Offer on the ASX.<br><br>Completion is conditional on ASX approving this application and Implementation of the Transaction. If ASX approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.<br><br>Sigma is required to comply with the Listing Rules, subject to any waivers obtained by the Sigma from time to time.<br><br>ASX takes no responsibility for the contents of this Prospectus or the investment to which it relates. The fact that ASX may grant quotation of the Offer Shares on ASX is not to be taken as an indication of the merits of Sigma or the Offer Shares offered for subscription. |
| When are the securities expected to commence trading? | The contracts formed on acceptance of applications will be conditional on Implementation of the Transaction. Subject to Implementation occurring, it is expected that trading of any Offer Shares issued under the Offer on ASX will commence on or about 13 February 2025 on a normal settlement basis.<br><br>It is the responsibility of each Applicant to confirm their holding before trading in Offer Shares. Applicants who sell Offer Shares before they receive a holding statement do so at their own risk. Sigma disclaims all liability, whether in negligence or otherwise, to persons who sell Offer Shares before receiving their holding statement. |
| Who may apply? | The Offer is open to select investors who have received an invitation from Sigma to participate in the Offer. |
| How to apply and pay? | Investors who are invited to apply under the Offer will receive a personalised Offer invitation. If an investor wishes to apply for the Offer Shares, they must follow the instructions on their personalised invitation. |
| When will I receive confirmation of whether my Application has been successful? | The contracts formed on acceptance of applications will be conditional on Implementation of the Transaction. Subject to Implementation occurring, it is expected that holding statements will be mailed to successful Applicants on or about 13 February 2025.<br><br>Refunds (without interest) to Applicants who make an Application and receive an allocation of Offer Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion. |
| Are there any brokerage, commission or stamp duty considerations? | No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Offer Shares under the Offer. |
| Is the Offer conditional? | Yes, completion of the Offer is conditional on Implementation of the Transaction occurring. |

## 7.3 Shareholding structure

Sigma's ownership structure on the Prospectus Date and as expected on Implementation of the Transaction and Completion of the Offer is set out below.

| | Sigma Shares held as at the Prospectus Date | | | | Sigma Shares held at Implementation and Completion of the Offer | | | |
|---|---|---|---|---|---|---|---|---|
| | Fully diluted | | Sigma Shares on issue | | Fully diluted[185] | | Sigma Shares on issue | |
| **Shareholder(s)** | **(%)** | **(m)** | **(%)** | **(m)** | **(%)** | **(m)** | **(%)** | **(m)** |
| **Total existing Sigma Shareholders[(1)]** | **99.94%** | **1,645.24** | **99.94%** | **1,630.89** | **14.24%** | **1,645.24** | **14.16%** | **1,634.56** |
| Mario Verrocchi[(2)] | 0.06% | 0.98 | 0.06% | 0.98 | 22.13% | 2,556.26 | 22.15% | 2,556.26 |
| Jack Gance | – | – | – | – | 13.67% | 1,579.05 | 13.68% | 1,579.05 |
| Sam Gance | – | – | – | – | 12.52% | 1,446.86 | 12.54% | 1,446.86 |
| **Other Chemist Warehouse shareholders** | **–** | **–** | **–** | **–** | **37.44%** | **4,324.98** | **37.47%** | **4,324.98** |
| **Total Chemist Warehouse shareholders[(2)]** | **0.06%** | **0.98** | **0.06%** | **0.98** | **85.76%** | **9,907.16** | **85.84%** | **9,907.16** |
| **Total** | **100.00%** | **1,646.22** | **100.00%** | **1,631.87** | **100.00%** | **11,552.40** | **100.00%** | **11,541.72** |

**Notes:**

1. There are approximately 311 Chemist Warehouse Shareholders, some of which may have an interest in Sigma Shares which are recognised in this row.
2. This row includes 978,506 Sigma Shares that Goat Properties Pty Ltd has an interest in as at the Prospectus Date. Mario Verrocchi holds 30% of the shares in Goat Properties and as a result has a relevant interest in the Sigma Shares held by Goat Properties. The Sigma Shares held by Goat Properties may be disposed of prior to Implementation at the discretion of Goat Properties or otherwise post-Implementation in accordance with Sigma's Trading Policy.

The following table shows the substantial holders of Sigma based on substantial holder notices lodged with ASX as at the Prospectus Date:

| | As at Prospectus Date | | | Voting power at Implementation and Completion | |
|---|---|---|---|---|---|
| **Name** | **Number of Sigma Shares** | **Voting power[186]** | **Date of substantial holder notice[187]** | **Fully diluted[188]** | **Sigma Shares on issue[189]** |
| State Street | 125,973,598 | 7.7 % | 6-Feb-25 | 1.1% | 1.1% |
| Challenger | 121,157,064 | 7.4 % | 11-Nov-24 | 1.0% | 1.0% |
| Cooper | 119,834,772 | 7.3 % | 06-Aug-24 | 1.0% | 1.0% |
| HMC Capital Limited | 114,464,558 | 7.0 % | 03-Dec-24 | 1.0% | 1.0% |
| Greencape | 87,294,919 | 5.4 % | 14-Jun-24 | 0.8% | 0.8% |
| Vanguard | 81,637,483 | 5.0 % | 26-Mar-24 | 0.7% | 0.7% |

185. For the purposes of this table, the fully diluted number of Sigma Shares includes 6,120,640 Sigma Performance Rights that will lapse upon Implementation and be replaced with cash bonuses of equivalent value (see "Treatment under the Transaction" in Figures 47 and 51) and, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, 117,940 Sigma Shares (see Figure 46).
186. Voting power as disclosed in substantial holder notices lodged with ASX as at the Prospectus Date, rounded to 1 decimal place.
187. As set out in the substantial holder notice lodged with ASX.
188. These figures are an estimate based on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date which, for the purposes of this calculation, takes into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, 117,940 Sigma Shares (see Figure 46).
189. See footnote 188.

## 7.4 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of Sigma and to be bound by the terms of the Sigma Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once Sigma or the Sigma Share Registry receives an Application Form (including electronically), it may not be withdrawn;
- applied for the number of Offer Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Offer Shares applied for, or no Offer Shares at all;
- authorised Sigma and its officers or agents to do anything on behalf of the Applicant(s) necessary for Offer Shares to be allocated to the Applicant(s), including to act on instructions received by the Sigma Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, Sigma may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Offer Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia;
- acknowledged and agreed that the Offer may be withdrawn by Sigma or may otherwise not proceed in the circumstances described in this Prospectus;
- declared that it understands that the Offer Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and other applicable state securities laws;
- declared that it is not in the United States or acting for the account or benefit of a U.S. Person;
- declared that it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- declared that it will not offer or sell the Offer Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, the registration requirements under the Securities Act and in compliance with all applicable laws in the jurisdiction in which Offer Shares are offered and sold.

## 7.5 Restrictions on distributions

No action has been taken to register or qualify this Prospectus, the Offer Shares or the Offer or otherwise to permit a public offering of the Offer Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to apply for Offer Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Offer Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act laws and any other applicable securities laws.

## 7.6 Discretion regarding Offer

Sigma may withdraw the Offer at any time before the issue of Offer Shares to Successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Sigma also reserves the right to, subject to the Corporations Act, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Offer Shares than the amount applied or bid for.

## 7.7 Quotation of Offer Shares

Sigma will apply for quotation of the Offer Shares offered under this Prospectus on the ASX under the existing code "SIG". If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may grant quotation for the Offer Shares is not to be taken as an indication of the merits of Sigma or the Offer Shares offered for subscription.

## 7.8 Summary of rights and liabilities attaching to the Sigma Shares (including the Offer Shares) and other material provisions of the Sigma Constitution

### 7.8.1 Introduction

The rights and liabilities attaching to the ownership of Sigma Shares are:

- detailed in the Sigma Constitution which may be inspected during normal business hours at the registered office of Sigma; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Rules and all other applicable laws and regulations.

A summary of the significant rights, liabilities and obligations attaching to the Sigma Shares and a description of other material provisions of the Sigma Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Sigma Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Sigma Shareholders.

### 7.8.2 Meeting of Sigma Shareholders

Each Sigma Shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of Sigma and receive all financial statements, notices and other documents required to be sent to Sigma Shareholders under the Sigma Constitution, the Corporations Act and the ASX Listing Rules. At least 28 days' notice of a meeting must be given to Sigma Shareholders.

### 7.8.3 Voting at a general meeting

At a general meeting of Sigma, every Sigma Shareholder present in person or by proxy, attorney or representative has (a) on a show of hands, one vote and (b) on a poll, one vote for each Sigma Share held.

On a poll, every Sigma Shareholder (or his or her proxy, attorney or representative) is entitled to vote for each fully paid Sigma share held (with adjusted voting rights for partially paid shares). Sigma's chair has a casting vote in certain circumstances.

### 7.8.4 Dividends

Subject to the Corporations Act, the Sigma Constitution and any special terms and conditions of issue, the Sigma Directors may, from time to time, pay, resolve to pay, or declare any interim, special or final dividend as, in their judgement, the financial position of Sigma justifies.

The Sigma Directors may fix the amount, time and method of payment of the dividends. The payment, resolution to pay, or declaration of a dividend does not require any confirmation by a general meeting.

### 7.8.5 Transfer of Sigma Shares

Subject to the Sigma Constitution and to the rights or restrictions attached to any shares or class of shares in Sigma, a Sigma Shareholder may transfer all or any of the shareholder's shares by:

- a Proper ASTC transfer (as that term is defined in the Corporations Regulations); or
- an instrument in writing in any usual form or in any other form that the Sigma Directors approve, as permitted by the Corporations Act and ASX Listing Rules.

Sigma may, in circumstances permitted under the ASX Listing Rules or ASX Settlement Rules, decline to register a transfer of Sigma Shares or apply a holding lock to prevent a transfer of Sigma Shares.

If the Sigma Directors decline to register a transfer or apply a holding lock, Sigma must give the party lodging the transfer written notice of the refusal or holding lock and the reason for refusal or holding lock.

### 7.8.6 Issue of further Sigma Shares

Subject to the Sigma Constitution, the ASX Listing Rules, the ASX Settlement Rules and the Corporations Act, the Sigma Directors may issue shares or grant options over unissued shares to any person and they may do so at such times and on the conditions, they think fit. The shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of Sigma on a winding up or otherwise as the Sigma Directors see fit.

### 7.8.7 Preference shares

Sigma may issue preference shares including preference shares which are liable to be redeemed. The rights attaching to preference shares are those set out in the Sigma Constitution unless other rights have been approved by special resolution of Sigma.

### 7.8.8 Winding up

If Sigma is wound up, then subject to the Sigma Constitution and to the rights or restrictions attached to a class of shares, any surplus assets must be divided among Sigma's Shareholders in proportion to the shares held by them (irrespective of the amounts paid or credited as paid on the shares), less any amounts which remain unpaid on these shares at the time of distribution.

### 7.8.9 Sale of non-marketable parcels

Provided that the procedures set out in the Sigma Constitution are followed, Sigma may sell the shares of a Sigma Shareholder who holds less than a marketable parcel of those shares. A non-marketable parcel of shares is defined in the ASX Listing Rules and is, generally, a holding of shares with a market value of less than $500.

### 7.8.10 Share buy-backs

Sigma may buy back shares in itself in accordance with the provisions of the Corporations Act and, where applicable, the ASX Listing Rules.

### 7.8.11 Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of shares, wherever the capital of Sigma is divided into different classes of shares, the rights attached to any class of shares may be varied with:

- the written consent of the holders of at least three quarters of the issued shares in the particular class; or
- the sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

### 7.8.12 Reduction of share capital

Subject to the Sigma Constitution, Corporations Act and ASX Listing Rules, Sigma may reduce its share capital in any way permissible by the Corporations Act.

### 7.8.13 Proportional takeover provisions

The Sigma Constitution contains provisions requiring Sigma Shareholder approval before any proportional takeover bid can proceed. The provision will cease to have effect three years from the date of adoption of the Sigma Constitution unless it is renewed by special resolution of Sigma Shareholders in a general meeting.

### 7.8.14 Dividend reinvestment plan

The Sigma Constitution contains a provision allowing Sigma Directors, on the terms and conditions they think fit, to implement a dividend reinvestment plan (under which any Sigma Shareholder or any class of shareholders may elect that the dividends payable by Sigma be reinvested by a subscription for Sigma Shares in Sigma).

### 7.8.15 Directors – appointment and removal

Under the Sigma Constitution, the minimum number of Sigma Directors is three, or another number determined by the Sigma Directors in accordance with the Sigma Constitution. Sigma Directors are elected or re-elected by resolution at a general meeting of Sigma Shareholders.

No Sigma Director (other than the managing director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Sigma Director was last elected or re-elected (whichever is later).

### 7.8.16 Sigma Directors – voting

Questions arising at a meeting of Sigma Directors will be decided by a majority of votes of the Sigma Directors present at the meeting and entitled to vote on the matter.

In the case of an equality of votes on a resolution, the Sigma chair of the meeting has a casting vote, unless there are only two Sigma Directors present or qualified to vote, the Sigma chair is not entitled to vote, or if the Sigma chair does not have a second or casting vote under rule 12.6(a) of the Sigma Constitution, in which case the proposed resolution is taken as having been lost.

### 7.8.17 Variation of the Sigma Constitution

The Sigma Constitution can only be amended by a special resolution passed by at least three quarters of Sigma Shareholders present and voting at a general meeting of Sigma. Sigma must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

### 7.8.18 Sigma Directors' and officers' indemnity

Sigma, to the extent permitted by law, must indemnify each person who is a current or former Sigma Director, executive officer or officer (and may indemnify the auditor) of Sigma, and such other officers or former officers of Sigma or its Related Bodies Corporate as the Sigma Directors in each case determine, against any losses or liability of any kind (whether actual or contingent and whether fixed or unascertained), including costs, incurred by that person as an officer or auditor of Sigma or of a Related Body Corporate of Sigma on a full indemnity basis.

Sigma, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former Sigma Director, executive officer, officer or auditor of Sigma, and such other officers or former officers of Sigma or its Related Bodies Corporate as the Sigma Directors in each case determine, against any liability of any kind (whether actual or contingent and whether fixed or unascertained), including costs, incurred by the person as an officer or auditor of Sigma or of a Related Body Corporate of Sigma.

# 8 Investigating Accountant's Report

# 8. Investigating Accountant's Report

CW Group Holdings Limited
6 Albert Street
Preston, Victoria 3072

Sigma Healthcare Limited
Level 6, 2125 Dandenong Road
Clayton, Victoria 3168

10 February 2025

Dear Directors

## Investigating Accountant's Report

**Independent Limited Assurance Report on Sigma Healthcare Limited historical financial information, CW Group Holdings Limited historical financial information and the Merged Group pro forma historical financial information and Financial Services Guide**

We have been engaged by Sigma Healthcare Limited (**Sigma**) and CW Group Holdings Limited (**CWG**) to report on the historical financial information of Sigma and CWG and the pro forma historical financial information of the Merged Group (in each case as defined below) for inclusion in the Merged Group Prospectus dated on or about 10 February 2025 relating to Sigma's proposed acquisition of all the shares in CWG and issue of new Sigma shares to CWG shareholders, such that upon implementation existing CWG shareholders hold 85.75% and existing Sigma shareholders hold 14.25% of the issued shares of Sigma as the holding company of the merged group (**Merged Group** defined below), and Sigma's provision of $700 million cash consideration to existing CWG shareholders (the **Transaction**).

For the purposes of this Independent Limited Assurance Report, the consolidated group formed post Transaction is referred to as the **Merged Group**.

Expressions and terms defined in the Merged Group Prospectus (the **Public Document**) have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the *Corporations Act 2001* (Cth) (**Corporations Act**). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act. This report is both an

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
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T: +61 3 8603 1000, F: +61 3 8603 1999,, www.pwc.com.au

Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

## Scope

*Sigma historical financial information*

You have requested that PricewaterhouseCoopers Securities Ltd review the following historical financial information of Sigma as set out in Annexure A section 2, 3 and 4 of the Public Document (**Sigma Historical Financial Information**):

- i. the Sigma Statement of Financial Position as at 31 July 2024;
- ii. the Sigma Income Statements for the years ended 31 January 2022, 31 January 2023, 31 January 2024 and the six month periods ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024;
- iii. the Sigma Statement of Cash Flows for the years ended 31 January 2022, 31 January 2023, 31 January 2024 and the six month periods ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024;
- iv. the Sigma Income Statements for the years ended 31 July 2022, 31 July 2023 and 31 July 2024; and
- v. the Sigma Statement of Cash Flows for the years ended 31 July 2022, 31 July 2023 and 31 July 2024.

The Sigma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Sigma's adopted accounting policies. The Sigma Historical Financial Information has been extracted from:

- the financial reports of Sigma for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, which were audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion on each financial report; and
- the half year financial reports of Sigma for the half years ended 31 July 2022, 31 July 2023 and 31 July 2024 which were reviewed by Deloitte Touche Tohmatsu in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*. Deloitte Touche Tohmatsu issued an unmodified review report on each condensed interim financial report.

The Sigma Historical Financial Information is presented in the Public Document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

*CWG historical financial information*

You have requested that PricewaterhouseCoopers Securities Ltd review the following historical financial information of CWG as set out in section 4.4.2, 4.5.2 and 4.6.1 of the Public Document (**CWG Historical Financial Information**):

i. the CWG Statement of Financial Position as at 30 June 2024;
ii. the CWG Income Statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024; and
iii. the CWG Statement of Cash Flows for the years ended 30 June 2022, 30 June 2023 and 30 June 2024.

The CWG Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and CWG's adopted accounting policies. The CWG Historical Financial Information has been extracted from the financial reports of CWG for the years ended 30 June 2022, 30 June 2023 and 30 June 2024, which were audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards. PricewaterhouseCoopers issued an unmodified audit opinion on each financial report. The CWG Historical Financial Information is presented in the Public Document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

*Merged Group Pro Forma historical financial information*

You have requested that PricewaterhouseCoopers Securities Ltd review the following pro forma historical financial information of the Merged Group as set out in section 4.4.1, 4.5.1 and 4.6.1 of the Public Document (**Merged Group Pro Forma Historical Financial Information**):

i. pro forma Income Statements of the Merged Group for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 which assume completion of the Transaction as at 1 July 2021;

ii. pro forma Statement of Cash Flows of the Merged Group for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 which assume completion of the Transaction as at 1 July 2021; and

iii. pro forma historical Statement of Financial Position of the Merged Group as at 30 June 2024, which assumes completion of the Transaction as at 30 June 2024.

The pro forma Income Statements and Statement of Cash Flows of the Merged Group have been derived from:

- the Sigma Income Statements and the Statement of Cash Flows for the years ended 31 July 2022, 31 July 2023 and 31 July 2024; and

- the CWG Income Statements and the Statement of Cash Flows for the years ended 30 June 2022, 30 June 2023 and 30 June 2024,

and adjusted for the effects of pro forma adjustments described in the notes in sections 4.4.3 and 4.5.3 of the Public Document.

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The pro forma historical Statement of Financial Position of the Merged Group as at 30 June 2024 has been derived from:

- the Sigma Statement of Financial Position as at 31 July 2024; and
- the CWG Statement of Financial Position as at 30 June 2024,

and adjusted for the effects of pro forma adjustments described in the notes in section 4.6.1 of the Public Document.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Merged Group's proposed accounting policies applied to the Sigma Historical Financial Information and CWG Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4.2 of the Public Document, as if those events or transactions had occurred as at the date of the Merged Group Historical Financial Information. Due to its nature, the Merged Group Pro Forma Historical Financial Information does not represent the Merged Group's actual or prospective financial position, income statement, and/or cash flows.

### Directors' responsibility

The Sigma directors are responsible for the preparation of the Sigma Historical Financial Information

The CWG directors are responsible for the preparation of the CWG Historical Financial Information.

Subject to the above two paragraphs, the Sigma directors and the proposed directors of Sigma immediately following implementation of the Transaction (**Merged Group Directors**) are responsible for the Merged Group Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the Merged Group Directors determine are necessary to enable the preparation of the Merged Group Pro Forma Historical Financial Information that are free from material misstatement whether due to fraud or error.

### Our Independence and Quality Management

We have complied with the independence and relevant ethical requirements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagement*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our responsibility

Our responsibility is to express a limited assurance conclusion on the Sigma Historical Financial Information, CWG Historical Financial Information and Merged Group Pro Forma Historical Financial

Information based on the procedures we have performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review reports on any financial information used as a source of the Sigma Historical Financial Information, CWG Historical Financial Information or the Merged Group Pro Forma Historical Financial Information.

### Conclusions

*Sigma Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Sigma Historical Financial Information, as described in Annexure A section 2, 3 and 4 of the Public Document, and comprising:

- the Sigma Statement of Financial Position as at 31 July 2024 as set out in figure 60 in Annexure A section 4 of the Public Document;
- the Sigma Income Statements for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and the six month periods ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024 as set out in figures 54, 55 and 56 in Annexure A section 2 of the Public Document;
- the Sigma Statement of Cash Flows for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and the six month periods ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024 as set out in figures 57, 58 and 59 in Annexure A section 3 of the Public Document;
- the Sigma Income Statements for the years ended 31 July 2022, 31 July 2023 and 31 July 2024 as set out in figures 54, 55 and 56 in Annexure A section 2 of the Public Document; and
- the Sigma Statement of Cash Flows for the years ended 31 July 2022, 31 July 2023 and 31 July 2024 as set out in figures 57, 58 and 59 in Annexure A section 3 of the Public Document,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the Public Document being the recognition and measurement principles contained in Australian Accounting Standards and Sigma's adopted accounting policies.

*CWG Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the CWG Historical Financial Information, as described in section 4.4.2, 4.5.2 and 4.6.1 of the Public Document, and comprising:

- the CWG Statement of Financial Position as at 30 June 2024 as set out in figure 25 in section 4.6.1 of the Public Document;
- the CWG Income Statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in figure 15 in section 4.4.2 of the Public Document; and
- the CWG Statement of Cash Flows for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in figure 21 in section 4.5.2 of the Public Document

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the Public Document being the recognition and measurement principles contained in Australian Accounting Standards and CWG's adopted accounting policies.

*Merged Group Pro Forma Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Merged Group Pro Forma Historical Financial Information as described in section 4.4.1, 4.5.1 and 4.6.1 of the Public Document, and comprising:

- the pro forma historical Statement of Financial Position of Merged Group as at 30 June 2024 as set out in figure 25 in section 4.6.1 of the Public Document;
- the pro forma Income Statements of Merged Group for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in figure 14 in section 4.4.1 of the Public Document; and
- the pro forma Statement of Cash Flows of Merged Group for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in figure 20 in section 4.5.1 of the Public Document,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the Public Document being the recognition and measurement principles contained in Australian Accounting Standards and the Merged Group's proposed accounting policies applied to the Sigma Historical Financial Information and CWG Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as if those events or transactions had occurred as at the date of the Merged Group Pro Forma Historical Financial Information.

**Notice to investors outside Australia**

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

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**Restriction on Use**

Without modifying our conclusions, we draw attention to sections Annexure A and 4.1 of the Public Document, which describes the purpose of the respective Sigma Historical Financial Information, CWG Historical Financial Information and Merged Group Pro Forma Historical Financial Information, being for inclusion in the Public Document. As a result, the Sigma Historical Financial Information, CWG Historical Financial Information and Merged Group Pro Forma Historical Financial Information may not be suitable for use for another purpose.

**Consent**

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Public Document in the form and context in which it is included.

**Liability**

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Public Document. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from, the Public Document.

**Independence or Disclosure of Interest**

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this Transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

**Financial Services Guide**

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Andy Welsh
Authorised Representative
PricewaterhouseCoopers Securities Ltd

**Appendix A – Financial Services Guide**

**PRICEWATERHOUSECOOPERS SECURITIES LTD**

**FINANCIAL SERVICES GUIDE**

**This Financial Services Guide is dated 10 February 2025**

## 1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Sigma Healthcare Limited and CW Group Holdings Limited to provide a report in the form of an Investigating Accountant's Report in relation to the Sigma Historical Financial Information, CWG Historical Financial Information and the Merged Group Pro Forma Historical Financial Information (**the "Report**") for inclusion in the Public Document.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

## 2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

## 3. Financial services we are licensed to provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

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4. **General financial product advice**

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. **Fees, commissions and other benefits we may receive**

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the persons who engages us. In the preparation of this Report our fees are charged on a fixed basis and are $700,000.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. **Associations with issuers of financial products**

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

PricewaterhouseCoopers is the current auditor of CW Group Holdings Limited.

7. **Complaints**

If, for any reason, you are not satisfied with the advice or service you receive from PwCS or from our authorised representatives, you are entitled to make a complaint.

If you wish to make a complaint, please initially lodge your complaint with your adviser. We have established procedures to ensure all complaints are resolved quickly and fairly. A copy of our internal complaints handling procedure can be provided to you upon request.

If you do not receive a satisfactory outcome to your complaint, you have the right to contact the Australian Financial Complaints Authority ("AFCA"). AFCA provides independent financial services complaint resolution that is free to consumers.

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
Tel: 1800 931 678 (Free Call)

E-mail: info@afca.org.au
Website: www.afca.org.au

PwCS is a member of AFCA. You will not be charged for using the AFCA service.

**8. Contact Details**

PwC Securities can be contacted by sending a letter to the following address:

Andy Welsh
PricewaterhouseCoopers Securities Ltd
2 Riverside Quay,
Southbank VIC 3006

# 9 Additional information

# 9. Additional information

## 9.1 Registration

Sigma was registered in New South Wales on 2 July 1999.

## 9.2 Overview of the Transaction

On 11 December 2023, Sigma announced that it had entered into the Merger Implementation Agreement to merge with Chemist Warehouse. Under the Merger Implementation Agreement, Sigma will acquire all the shares in Chemist Warehouse by way of a scheme of arrangement under Part 5.1 of the Corporations Act in exchange for $700 million cash (subject to any leakage adjustment) and Sigma Shares.

An extension of the End Date under the Merger Implementation Agreement was announced on 11 December 2024.

Upon Implementation of the Transaction, the Chemist Warehouse Shareholders will hold 85.75% of the Merged Group and the Sigma Shareholders will hold 14.25% of the Merged Group, and the Chemist Warehouse Founders or entities controlled by them will hold 48% of the Merged Group.[190,191]

In addition to the cash consideration of $700 million paid to Chemist Warehouse Shareholders, Sigma will refinance approximately $300 million of existing Chemist Warehouse Group debt (net of cash at bank). The cash consideration and debt refinance will be funded through a new $1.5 billion debt facility (described further in Section 9.9) and cash at bank.

The Transaction is subject to a number of Conditions Precedent which have now all been satisfied or waived, including:

- ACCC clearance or authorisation, with such clearance being received on 7 November 2024 (**ACCC Clearance**);
- Sigma receiving all required consents from the Overseas Investment Office in New Zealand, which was satisfied on 5 July 2024;
- other regulatory approvals that Chemist Warehouse and Sigma agree are necessary or desirable to implement the Transaction;
- approval of the Scheme by Chemist Warehouse Shareholders in accordance with the Corporations Act, which was obtained at a meeting of Chemist Warehouse Shareholders held on 29 January 2025;
- approval of various resolutions in respect of the Transaction by Sigma Shareholders by the requisite majorities, including as required under ASX Listing Rules and the Corporations Act (see Section 9.12 below for further detail on the approvals sought), which were obtained at a meeting of Sigma Shareholders held on 29 January 2025;
- Court approval of the Scheme in accordance with the Corporations Act, which was approved on 3 February 2025;
- the independent expert appointed by Chemist Warehouse issuing a report which concludes that the Scheme is in the best interests of the Chemist Warehouse Shareholders which does not change and is not withdrawn by the independent expert before 8.00am on the Second Court Date. The independent expert has concluded that the Scheme is in the best interests of the Chemist Warehouse Shareholders and did not withdraw its report before 8.00am on the Second Court Date;
- the independent expert appointed by Sigma issuing a report which concludes that certain related party arrangements are fair and reasonable or not fair but reasonable to the non-related party shareholders which does not change and is not withdrawn by the independent expert before 8.00am on the Second Court Date (further information about the Merged Group's related party arrangements are set out in Section 6.6). The Sigma Independent Expert has concluded that the related party arrangements are fair and reasonable to the non-related party shareholders and did not withdraw its report before 8.00am on the Second Court Date; and
- Chemist Warehouse obtaining a draft ruling from the ATO confirming that scrip-for-scrip rollover relief will be available for eligible Chemist Warehouse Shareholders, which was issued by the ATO on 29 October 2024.

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190. This includes 126,947,040 Sigma Shares already agreed to be issued to a Chemist Warehouse Group Member on 31 August 2023 in conjunction with the supply agreement between Sigma and Chemist Warehouse that commenced on 1 July 2024. Sigma and Chemist Warehouse have agreed to defer the issuance of these shares while the MIA remains on foot. If the Transaction completes, these shares will not be issued. If the MIA is terminated, the shares will be issued to the Chemist Warehouse Group Member 20 business days post-termination of the MIA.
191. On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation). For the purposes of this calculation, this includes, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, 117,940 Sigma Shares (see Figure 46).

## 9.3 Merger Undertaking

On 7 November 2024, the ACCC announced it would not oppose the Transaction after accepting an undertaking provided by Sigma pursuant to section 87B of the *Competition and Consumer Act 2010* (Cth) (the **Merger Undertaking**).

While Sigma does not consider that the Transaction would have the effect, or be likely to have the effect, of substantially lessening competition in any relevant market, it has offered the Merger Undertaking to address the ACCC's competition concerns.

Sigma's obligations under the Merger Undertaking (which will bind the Merged Group) include, in summary:

- that for a period of three years from Implementation, Sigma will not prevent or hinder Sigma's franchisees (ie Amcal, DDS or PharmaSave franchisees), wholesale customers and/or buying group customers (as defined) who entered into their agreements prior to 1 July 2024 from terminating their agreements with Sigma, should they elect to do so. For franchisees and other customers which elect to terminate their agreements, Sigma has committed that it will not seek to recover contributions (as defined) Sigma has paid to a franchisee or other customer or any future fees payable to Sigma under those agreements (but does not include any outstanding monies owed to Sigma at the date of termination). Sigma is not required to provide any services, rebates, discounts and contributions which have not been earnt or paid under any agreement, unless validly accrued and payable prior to the date of termination;
- implement data protection measures for confidential information provided by a Sigma franchisee, wholesale and/or buying group customer that elects to terminate their agreements with Sigma within three years of Implementation, subject to specific exceptions. Data will be deleted unless required for specified purposes, including where required by law or to meet CSO or other legal reporting, in which case any retained data is restricted to limited approved personnel. For pharmacies who wish to continue to have a Sigma trading account, their data will (with consent) be received but ring fenced from directors or employees of the Merged Group who hold a direct or indirect ownership interest in a Chemist Warehouse franchise or who have involvement in the day-to-day management of Sigma's relationship with Chemist Warehouse Franchisees;
- a commitment that Sigma will remain a CSO distributor and will not terminate Sigma's CSO Deed for at least 5 years from the date of Implementation; and
- Sigma consenting to independent auditing of the implementation of the commitments and dispute resolution processes in relation to the termination provision of Sigma's commitments.

If wholesale customers and/or buying group customers (including Sigma franchisees who also have wholesale agreements with Sigma) elect to terminate their supply agreements with Sigma, the Merged Group would lose revenue and margin that it would have otherwise earned from wholesale sales from these customers. If Sigma franchisees elect to terminate their franchise agreements, in addition to the risk of reduction of revenue and margin from wholesale sales due to the terms of the Merger Undertaking, the Merged Group would not be entitled to recover sign-on bonuses and other upfront contributions it has paid to franchisees (that it may otherwise have been entitled to recover upon termination by a franchisee) and it will not be entitled to future franchise fees that Sigma would have been entitled to had the franchise agreement not terminated, given Sigma will not be providing the relevant franchise services.

Although it is not possible to predict the extent to which franchisees and other wholesale customers might exercise rights under the Merger Undertaking, the Merged Group does not expect the impact of the Merger Undertaking to be material.

## 9.4 Company tax status, financial year and future Annual General Meetings

The Merged Group will be subject to tax at the Australian corporate tax rate.

Prior to Implementation, Sigma and Chemist Warehouse will have different balance dates. As at the date of this Prospectus, Sigma's financial year ends on 31 January, whilst Chemist Warehouse's financial year ends on 30 June.

Given the complexity with reconciling conflicting legal and accounting requirements applying to the preparation of the Merged Group accounts following Implementation of the Transaction, ASIC has agreed in principle to provide relief that will allow Sigma to meet its financial reporting obligations based on a notional financial year that runs to 30 June each year, enabling the Merged Group to report in accordance with Chemist Warehouse's financial year of 30 June.

From Implementation, Sigma will meet its financial reporting obligations under Part 2M.3 of the Corporations Act in relation to notional financial years ending 30 June and notional half-years ending 31 December, as if those were Sigma's statutory financial years and half-years. Accordingly, Sigma will release financial results for the financial year ending 30 June 2025 and half-year financial results for the half-year ending 31 December 2025 (and so on each period thereafter).

To support this approach, ASIC has also agreed in principle to provide relief that will allow each of Sigma's subsidiaries (that have financial reporting obligations) to report as if their financial year end is 30 June as well as relief that will facilitate consolidated group reporting reflecting the new notional financial year ending on 30 June each year.

Notwithstanding the above, and for the avoidance of doubt, Sigma will still provide its financial statements and an annual report for its statutory financial year ended 31 January 2025 on a standalone basis (i.e. without consolidation of Chemist Warehouse and its controlled entities) following Implementation.

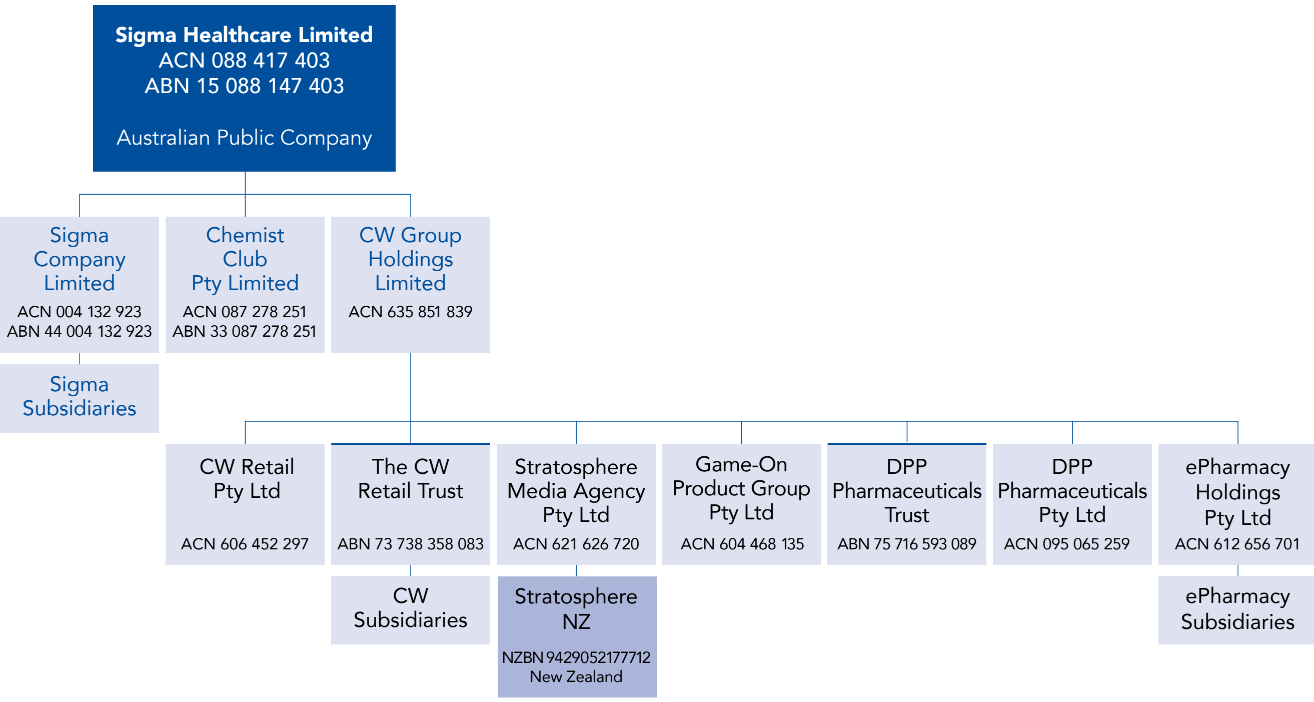
In connection with the proposed ASIC relief described above, Sigma is also seeking and ASIC has made in principle decisions to grant, the following:

- permission from ASIC to extend the time by which Sigma may hold its annual general meeting each year so that it is within 5 months of 30 June (the new notional financial year end) including for the annual general meeting that would otherwise need to be held within 5 months of 31 January 2025; and
- relief from ASIC that will allow Sigma to continue to access the cleansing notice regime (including the "low-doc" offer regime for rights issues) in sections 708AA and 708A(5) of the Corporations Act, offer securities by way of a transaction specific prospectus under section 713(1) of the Corporations Act and offer securities by way of a securities purchase plan under an offer document that meets the requirements and conditions of the ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 other than the requirement in section 7(d) of that instrument (notwithstanding that Sigma will be relying on orders under section 340 of the Corporations Act (being orders granting Sigma the relief mentioned above in relation to its financial reporting obligations)).

In connection with the proposed ASIC relief, Sigma also applied to ASX for waivers in respect of ASX Listing Rules 4.2A, 4.2B, 4.3A, 4.3B, 4.5.1 and 4.7 and in response to that application, ASX has confirmed that from Implementation, ASX will apply those ASX Listing Rules as if the Company's half year balance date is 31 December and not 31 July and its full year balance date is 30 June and not 31 January. ASX's decision is conditional on, among other things, ASIC granting the proposed relief described above in respect of the Company's financial reporting obligations under Part 2M.3 of the Corporations Act and that relief remaining in full force and effect.

## 9.5 Corporate structure

The following diagram shows the entities in the corporate structure of the Merged Group on and from Implementation.




## 9.6 Material Contracts

### 9.6.1 Franchising arrangements

As noted in Section 3.2, the Merged Group is a retail pharmacy franchisor to a combined network of 880 franchised pharmacies in Australia, operating under a suite of core franchise brands being Chemist Warehouse, My Chemist, Amcal and Discount Drug Stores, as well as Pipeline Stores. The franchising arrangements for each of those brands are set out below.

#### 9.6.1.1 Chemist Warehouse and My Chemist

For Chemist Warehouse and My Chemist the suite of arrangements with each franchise in all states except for New South Wales are primarily contained in:

- a franchise agreement;
- a supply arrangement, under which Chemist Warehouse supplies goods and arranges for the supply of goods from third party suppliers to franchisees; and
- an occupancy licence, under which Chemist Warehouse, which is generally the tenant for premises from which the Australian Network Stores are conducted, licenses the relevant premises to the franchisee.

# 9. Additional information continued

For franchises in NSW, from January 2025, the relevant documents offered to new franchisees (and the documents to which each existing franchisee is encouraged to be transitioned to if they have not already transitioned) are:

- a services agreement, under which Chemist Warehouse in exchange for an administration charge provides administrative services to pharmacies in NSW;
- a supply arrangement, under which Chemist Warehouse supplies goods and arranges for the supply of goods from third party suppliers to franchisees;
- a trade mark licence agreement, in respect of the use of Chemist Warehouse's branding and trade marks by the pharmacies in NSW in exchange for a fee, if any; and
- an occupancy licence, under which Chemist Warehouse, which is generally the tenant for premises from which the Australian Network Stores are conducted, licenses the relevant premises to the franchisee.

The terms of the pro forma form of each agreement are summarised below.

In addition to these key agreements, some franchisees (in all states, including NSW) also obtain further support from Chemist Warehouse in the form of a loan agreement or a fit-out lease for the relevant premises.

### 9.6.1.1.1 Pro forma franchise agreement (for Australian pharmacies excluding NSW)

| Term | Summary |
|---|---|
| Subject matter | The franchise agreement is the overarching agreement which governs Chemist Warehouse granting a franchisee the right to carry on a franchised pharmacy business under 'Chemist Warehouse' or 'My Chemist' branding. It sets out the parties' various rights, entitlements and obligations in relation to the conduct of that franchise pharmacy business. |
| Term and Options | The term of the franchise agreement aligns with the term of the head lease for the property from which the franchise business is conducted.<br><br>Some franchise agreements contain an option to extend the agreement, exercisable by the franchisee, subject to satisfaction of certain conditions (such as ongoing compliance with the terms of the franchise agreement). |
| Termination rights | Chemist Warehouse may terminate the franchise agreement in circumstances including if there is a change of control of the franchisee, the franchisee is carrying on the pharmacy business in a way that adversely affects the Chemist Warehouse business, if the franchisee cannot meet certain fit and proper person tests (eg they are bankrupt, or commit fraud or dangerous acts) or they abandon the pharmacy business.<br><br>If a franchisee has multiple franchise agreements with Chemist Warehouse, and one is terminated by Chemist Warehouse, Chemist Warehouse also has an option to terminate each other franchise agreement in certain circumstances.<br><br>A franchisee may terminate the franchise agreement within an initial 14 day cooling off period, or otherwise for a breach of the franchise agreement by Chemist Warehouse that is not remedied.<br><br>Either party may terminate in the event of an extended force majeure event. |
| Fees | There is a participation fee payable which is a fixed annual amount and is generally indexed at a fixed percentage. |
| Exclusivity, non-competition and restraints | There are certain limitations on Franchisees establishing or having an interest in competing pharmacies during the term of or following termination of their franchise agreement.<br><br>In certain circumstances, there are restrictions on Franchisees targeting employees of Chemist Warehouse or other Chemist Warehouse pharmacies for employment, during the term of the franchise agreement or following termination. |
| Assignment | Chemist Warehouse has a right to assign, transfer or otherwise deal with its rights and obligations under the franchise agreement without the consent of the franchisee. |
| Intellectual Property | Franchisees are entitled to use certain intellectual property of Chemist Warehouse during the term in the manner prescribed by Chemist Warehouse. Various obligations and limits are imposed on the franchisee in respect of using the Group's intellectual property under the agreement. |

#### 9.6.1.1.2 Pro-forma supply arrangement (for Australian pharmacies excluding NSW)

| Term | Summary |
|---|---|
| Subject matter | Chemist Warehouse is engaged to supply products and certain services ordered by franchisees during the term. The services include agreeing terms of separate supply agreements with certain third party suppliers which are made available to the franchisees. |
| Condition Precedent | It is a condition precedent in the supply arrangement that the franchisee enter into a franchise agreement with Chemist Warehouse for the relevant pharmacy. |
| Term | The Services Agreement remains on foot until either party terminates the Services Agreement or the Services Agreement expires. |
| Termination rights | Chemist Warehouse may terminate the agreement if the franchisee breaches the agreement, if the franchisee causes the agreements with third party suppliers to be terminated or if the franchise agreement is terminated.<br><br>Franchisees may terminate the agreement for a breach of its terms by Chemist Warehouse. |
| Exclusivity | There are no exclusive dealing, preferred supplier or most favoured nation clauses benefiting or restricting either party in this agreement, other than the loyalty rebate arrangements discussed below. |
| Consideration | The franchisee pays for the goods supplied under the agreement at cost plus margin and for any services.<br><br>Where applicable, wholesale loyalty rebate arrangements apply where loyalty thresholds are met based on agreed parameters. |

#### 9.6.1.1.3 Occupancy Licence (all Australian pharmacies)[192]

| Term | Summary |
|---|---|
| Term and Options | The term will end on the earlier of the day before the expiration of the head lease for the property, or (other than in NSW) the day of the termination or expiration of the franchise agreement between the licensee and Chemist Warehouse associated with the premises. |
| Permitted Use | The permitted use is the pharmacy business. Other than in NSW, the permitted use also refers to the pharmacy business being a franchise. |
| Licence fee | The licence fee is calculated as a pass through of the rent (and other outgoings and charges) payable under the applicable head lease for the property. |

192. This section describes the post-January 2025 arrangements for NSW.

### 9.6.1.1.4 Services agreement (NSW pharmacies)

| Term | Summary |
|---|---|
| Subject matter | Chemist Warehouse is engaged to supply a suite of services for the NSW franchisee during the term (**NSW Supply Agreement**). |
| Term | The Services Agreement remains on foot until either party terminates the Services Agreement or the Services Agreement expires. |
| Termination rights | Chemist Warehouse may terminate the agreement if the NSW franchisee breaches the agreement, is insolvent or undergoes a change of control.<br><br>The NSW franchisee may terminate the agreement for a breach of its terms by Chemist Warehouse or if Chemist Warehouse is insolvent. The NSW franchisee may also terminate the agreement on 30 days' notice. |
| Exclusivity | There are no exclusive dealing, preferred supplier or most favoured nation clauses benefiting or restricting either party in the agreement. |
| Fees | NSW franchisees pay a monthly administration fee to Chemist Warehouse. |

### 9.6.1.1.5 Supply agreement (NSW pharmacies)

| Term | Summary |
|---|---|
| Subject matter | These supply terms operate as and when the NSW franchisee chooses to buy wholesale goods from Chemist Warehouse (NSW Supply Agreement). |
| Term | The agreement continues until the expiry of the term or earlier expiry or termination of the agreement. |
| Termination rights | Chemist Warehouse may terminate the agreement if the NSW franchisee breaches the agreement (including specific processes for failure to pay amounts owing or for change of control), if the relevant NSW Services Agreement is terminated or if an insolvency event occurs to the NSW franchisee.<br><br>The NSW franchisee may terminate the agreement for breach by Chemist Warehouse or if an insolvency event occurs in relation to Chemist Warehouse. |
| Exclusivity | There are no exclusive dealing, preferred supplier or most favoured nation clauses benefiting or restricting either party in the agreement. |
| Consideration | Consideration is the cost of goods sold plus a margin for any goods supplied under the agreement. |

### 9.6.1.1.6 Trade mark licence agreement (NSW pharmacies)

| Term | Summary |
|---|---|
| Subject matter | Chemist Warehouse grants a non-exclusive, royalty-free licence to the NSW franchisee to use the relevant trade marks (being either the 'Chemist Warehouse' or the 'MyChemist' trade marks), and to sell goods via the Chemist Warehouse website, in connection with the operation of the pharmacy (**NSW Trade Mark Licence**). |
| Term | Agreed term (often 3 years) unless terminated earlier. |
| Termination rights | Chemist Warehouse may terminate the agreement if the NSW franchisee breaches the agreement, is insolvent or undergoes a change of control.<br><br>Either party may terminate the agreement on 30 days' notice. |
| Consideration | Pharmacies in NSW pay a licence fee to Chemist Warehouse in accordance with the terms of the agreement. |

#### 9.6.1.1.7 Trading Terms

| Term | Summary |
|---|---|
| Subject matter | Sigma and Chemist Warehouse Franchisees agree the terms (which include Sigma's standard terms and conditions of supply) under which Chemist Warehouse Franchisees can submit purchase orders for the supply of products from Sigma (**Trading Terms**). The standard terms outline the process for delivery, how title passes from Sigma Group to the customer, as well as payment terms. |
| Termination rights | Either party may terminate the agreement if the other party is in material unremedied breach or insolvent. |
| Consideration | As specified in Sigma's price list or the Supply Agreement, as adjusted for discounts, rebate and fees. |

#### 9.6.1.1.8 Optional agreements available to Chemist Warehouse franchisees

Broadly, franchisees can choose to enter into the following optional agreements.

Pro Forma Loan Agreement:

| Term | Summary |
|---|---|
| Subject matter | CW Treasury Services (**Lender**) provides a loan to the Franchisee under the loan agreement (**Loan Agreement**) to provide funding toward the purchase and/or establishment of the business. |
| Condition Precedent | The Loan Agreement is subject to a number of conditions precedent, including with respect to the grant of security and entry into a Franchise Agreement. |
| Term | 3 years. |
| Termination Rights | Each party has a right terminate for convenience on 180 days' written notice to the other party.<br><br>The agreement also provides a party with rights to terminate with immediate effect for the other party's material breach, insolvency, failure to hold any required licence or similar circumstances. The Lender has additional termination rights, for example where the Franchisee undergoes a change in control or if the Franchise Agreement is terminated.<br><br>Any outstanding loan amount under the Loan Agreement becomes immediately due and payable upon termination of the Loan Agreement. |
| Consideration | Interest accrues on the loan amount at an amount equal to a baseline published business lending rate plus a margin at market rates which may be varied by the Lender from time to time by 30 days' notice. |

Pro Forma Fit-out Lease:

| Term | Summary |
|---|---|
| Subject matter | CW Leasing (**Lessor**) grants the relevant Chemist Warehouse Franchisee a lease of certain equipment and fit-out works used at the Lessee's premises. |
| Term | 5 years. |
| Termination rights | The Lessor may terminate the Fit-out Lease, with notice to the Lessor for material breach. |
| Consideration | The Lessor receives a Lease Fee during the term. |

#### 9.6.1.1.9 Related Party Leases

The majority of the related party lease arrangements relate to pharmacy premises, with one exception being a lease of the Preston distribution centre. Properties from which Chemist Warehouse Franchisees operate their pharmacies are generally leased by Chemist Warehouse from a commercial landlord under a lease (**Head Lease**).

The properties leased under the Head Lease for each pharmacy are then licensed to the Chemist Warehouse Franchisee for the purpose of operating their pharmacy under an Occupancy Licence (discussed above).

In Australia and New Zealand in some, but not all cases, an Existing Related Person is the owner of the pharmacy premises and landlord (meaning they rent the property to Chemist Warehouse under a Head Lease).

With the exception of the Preston distribution centre and the immaterial office sites (which are discussed further below), in Australia, the terms of each Existing Related Person Lease are either:

- 'inherited' from the third party prior owner of the property from which the Existing Related Person acquired the property, in which case they have been negotiated on an arms' length basis by parties that are not related; or
- set by reference to terms of a pro forma lease used by Chemist Warehouse (**Pro Forma Lease**) with an independent valuation sought to determine the market rent.

The terms of each Existing Related Person Lease in New Zealand are:

- 'inherited' from the third party prior owner of the property from which the Existing Related Person acquired the property, in which case they have been negotiated on an arms' length basis by parties that are not related; or
- set by reference to terms of a Pro Forma Lease used by Chemist Warehouse in New Zealand. In relation to the rent, Chemist Warehouse will obtain independent rental valuations for the relevant New Zealand properties prior to Implementation of the Transaction, and if the valuations reveal that the rent is too high the relevant Existing Related Persons have committed to reduce the rent to match the valuation.

The terms of the Pro Forma Lease for Australia are summarised below.

| Term | Summary |
|---|---|
| Term and Options | Individually negotiated for each property, however the leases generally provide for a term of 6 years, with two options to extend the term for a further 5 years each, exercisable by the Tenant. |
| Rent and rent reviews | Rent is set based on an independent third party valuation.<br><br>Leases in Australia generally provide for annual fixed increases to rent of 3% with a market rent review at the end of each term. |
| Licensee | Each lease allows the Tenant (in its absolute discretion) to enter into a licence agreement with an appointed licensee who will trade under or by reference to the name "Chemist Warehouse" or such other name determined by the Tenant. |
| Other terms | The lease otherwise contains standard terms for a commercial lease. The lease may be subject to any applicable retail tenancies legislation in the relevant jurisdiction. |

The terms of the pro forma lease used by Chemist Warehouse in New Zealand are as follows:

| Term | Summary |
|---|---|
| Term and Options | Individually negotiated for each property, however the leases generally provide for a term that ranges from 5 years to 8 years, with options varying from 1 x 6 years to 3 x 5 years. |
| Rent and rent reviews | On a market rent review date, either party may give written notice to the other party specifying the annual rent to be paid as based on the current market rent. If the other party disputes the notice specifying the annual rent, the rent may be determined through arbitration or, if both parties agree, by expert determination.<br><br>The leases in New Zealand generally provide for annual fixed increases to rent of 3% with a market rent review on each renewal date. |
| Sub-leasing | Each lease allows the Tenant (in its absolute discretion) to (sub)lease or licence the premises to a Chemist Warehouse licensee, without the prior approval of the Landlord, provided that the Tenant remains responsible for the payment of rent to the Landlord and other obligations on the Tenant under the Lease. |
| Other terms | The lease otherwise contains standard terms for a commercial lease in New Zealand.<br><br>The lease may be subject to any applicable retail tenancies legislation in the relevant jurisdiction. |

The terms of the Preston warehouse / distribution centre lease are summarised below.

| Term | Summary |
|---|---|
| Term and Options | The lease provides for a term of 3 years, with two options to extend the term for a further 3 years each, exercisable by the Tenant. |
| Rent and rent reviews | The rent is consistent with an independent valuation obtained in relation to the premises.<br><br>Rent will increase by 3% each year on 1 October, except on a market review date.<br><br>A market rent review may be initiated by either the Landlord or the Tenant by giving the other party written notice stating the current market rent which it proposes to pay. If the Landlord and Tenant do not agreement, they must appoint a third party valuer to determine the market rent. The valuer's determination is binding. |
| Licensee | The Tenant may only transfer the Lease or sublet, licence or otherwise part with possession of the Premises with the Landlord's approval. |
| Other terms | The lease otherwise contains standard terms for a commercial lease. |

The terms of the two office leases are summarised below.

| Term | Summary |
|---|---|
| Term and Options | The lease commenced on 1 June 2020 and provides for a term of 6 years, with two options to extend the term for a further 5 years each, exercisable by the Tenant. |
| Rent and rent reviews | Rent will increase by 3% each year on 1 June until the end of the initial 6 year term. For any further term, a market rent review will be carried out in accordance with the lease terms.<br><br>A market rent review may be initiated by either the Landlord or the Tenant by giving the other party written notice stating the current market rent which it proposes to pay. If the Landlord and Tenant do not agree, they must appoint a third party valuer to determine the market rent. The valuer's determination is binding. |

| Term | Summary |
|---|---|
| Term and Options | The lease commenced on 1 September 2016 for a term of 6 years, with two options to extend the term for a further 5 years each, exercisable by the Tenant. The first of the two options has been exercised. |
| Rent and rent reviews | Rent will increase by 3% on each anniversary of the commencement date, except on the commencement of any further term. For any further term, a market rent review will be carried out in accordance with the lease terms.<br><br>A market rent review may be initiated by either the Landlord or the Tenant by giving the other party written notice stating the current market rent which it proposes to pay. If the Landlord and Tenant do not agree, they must appoint a third party valuer to determine the market rent. The valuer's determination is binding. |

### 9.6.1.2 Sigma's Franchise Agreements

This Section describes the agreements Sigma has been using for new and renewing franchisees since September 2021. Since that time, Sigma has been in the process of transitioning franchisees on the legacy arrangements (ie pre-September 2021 agreements) to the current arrangements.

Subsidiaries of Sigma have entered into franchise agreements with franchisees for the operation of pharmacies under the Amcal and DDS banner brands[193]. The franchise agreement governs the relationship between the relevant Sigma entity and franchisees.

#### 9.6.1.2.1 Pro forma franchise agreements

The terms of the pro forma franchise agreement are summarised below.

| Term | Summary |
|---|---|
| Subject matter | Franchisees are granted a non-exclusive licence to use the relevant brand, business name and other intellectual property for the term of the agreement in relation to the 'pharmacy business'. |
| Term | Minimum five-year term.<br><br>Franchisees have a right to renew for a further term provided there is no outstanding breach of the agreement, the franchisee pays all amounts due and payable under the agreement or otherwise owed to a member of the Sigma Group, and the franchisee executes the then current franchisee agreement and other documents required for renewal. |
| Termination rights | Sigma may terminate the franchisee agreement in circumstances including if the franchisee no longer holds the relevant approvals to carry on the pharmacy business, the franchisee no longer meets certain fit and proper tests (eg convicted of a serious offence, commits fraud, is bankrupt or endangers public health or safety) or abandons the pharmacy business.<br><br>A franchisee may terminate the franchise agreement within an initial 14 day cooling off period.<br><br>Either party may terminate for breaches of the agreement that have not or are not capable of being remedied, or if the franchisee's right to occupy the relevant premises is terminated and the franchisee is not able to enter into a new lease or relocate to new premises. |
| Fees | Fixed annual franchise fee for core services which is generally indexed annually by a fixed percentage. There are fixed monthly fees for certain services, which are indexed by a fixed percentage and/or the actual increase in costs in providing the service. Additional fees may be payable for any additional or optional services which the franchisee wishes to acquire. |
| Exclusivity, non-competition and restraints | The grant of the licence is limited to a non-exclusive territory except DDS franchisees are granted a licence for an exclusive territory (subject to limited exceptions).<br><br>Franchisees are restricted from establishing an e-commerce platform or online store incorporating Sigma's IP without Sigma's prior written consent. |
| Right of first refusal | Franchisees are restricted from selling, transferring or dealing with the franchise business without first offering the business or interest to a purchaser nominated by Sigma, and otherwise without Sigma's consent. |
| Assignment | Sigma has a right to sell, transfer or otherwise deal with its rights and obligations under the franchise agreement without the consent of the franchisee. |
| Intellectual Property | Franchisees are entitled to use certain intellectual property of Sigma (pertaining to the Amcal or DDS brand, as applicable) during the term in the manner prescribed in the agreement. Certain obligations and limits are imposed on the franchisee in respect of use of Sigma's IP. |

193. Agreements with PharmaSave franchisees have not been included as Sigma no longer offers the PharmaSave brand to new members.

#### 9.6.1.2.2 Optional agreements available to Sigma franchisees

In addition to the franchise agreement, franchisees can choose to enter into additional agreements with Sigma, which are to encourage alignment by franchisees with Sigma's brand direction, guidelines and product ranging. Other than the Wholesale Trading Terms Agreements which are also available to any Sigma customer, these optional agreements are available only to franchisees.

Broadly, franchisees can choose to enter into the following optional agreements.

| Pro forma optional agreement | Summary |
|---|---|
| Customer Loyalty Program Terms | Franchisees who opt into this agreement are granted the right to use Sigma's customer loyalty program software. The franchisee agrees to participate in and comply with promotions and processes in respect of the customer loyalty program. |
| Amcal Private Label Trading Terms | Amcal franchisees who opt in to this agreement are eligible to receive rebates on wholesale purchases from Sigma of Amcal private label products where certain requirements are met. |
| Ethical Partnership Program Terms | Franchisees who opt into this agreement are eligible to receive certain discounts, rebates and/or benefits provided by Sigma, Sigma's preferred generics partner Arrotex and other suppliers, on the purchase of ethical and other products, if certain requirements are met. |
| Brand Incentive Agreement | Franchisees who opt into this agreement are eligible to receive a fixed quarterly rebate if certain requirements are met, including wholesale loyalty thresholds and adhering to Sigma's Best Practice Guidelines. |

Franchisees, like other wholesale customers of Sigma, may also enter into wholesale supply agreements with Sigma. Under these agreements, wholesale customers (including franchisees to the extent that they are first-line customers) may qualify for discounts, rebates and/or other benefits if certain requirements are met.

### 9.6.2 CSO Deed

This Section describes the key terms of Sigma's current CSO Deed with the Commonwealth of Australia as represented by the Department of Health and Aged Care. The CSO Deed originally came into effect on 1 April 2019 and was most recently amended and restated on 27 June 2024. Following signing of the 1PWA between the Commonwealth and NSPA on 19 December 2024 (see Section 2.5.1.7.3), the Commonwealth intends to enter into new, separate CSO Deeds with CSO distributors to give effect to the 1PWA and to replace the existing CSO Deeds.

| Term | Summary |
|---|---|
| Subject matter | Under the CSO Deed, Sigma as a CSO Distributor is eligible to receive payments from the CSO funding pool for supplying PBS medicines (and National Diabetes Services Scheme products) to pharmacies subject to the conditions in the CSO Deed, including the CSO Service Standards or CSO Compliance Requirements. Non-compliance with and/or failure to meet the conditions may lead to liabilities and/or termination of the CSO Deed. The CSO Administration Agency administers the CSO under a contract with the Commonwealth. |
| Term | Commenced on 1 April 2019.<br><br>The original term has been extended until the earlier of 30 June 2025 or the date on which a new CSO deed commences. |
| CSO Compliance Requirements/CSO Service Standards | Sigma must comply with the CSO Compliance Requirements and CSO Service Standards. These requirements and standards are summarised in Section 2.5.1.7.3 above but include:<br>• providing a single-entry point for pharmacies to order PBS medicines and communication with Sigma;<br>• maintaining access to established infrastructure and sufficient financial capacity to meet CSO Deed requirements;<br>• supplying PBS medicines to any PBS-approved approved pharmacy;<br>• supplying any brand of any PBS pharmaceutical (with limited exceptions, such as where the manufacturer is out of stock or cannot supply);<br>• supplying any brand of any PBS pharmaceutical to any PBS-approved pharmacy within 24 hours for low volume pharmaceuticals or 72 hours for high volume pharmaceuticals (with limited exceptions, such as remote pharmacies); and<br>• not imposing cost imposts on PBS-approved pharmacies which double-compensate the wholesaler for distribution costs |

| Term | Summary |
|---|---|
| Termination | The Commonwealth may terminate the CSO Deed in circumstances including if Sigma fails to meet its obligations under the Deed which has not been or incapable of remedy, has failed to meet the CSO Service Standards or CSO Compliance requirements (regardless of whether the failure is capable of remedy), if Sigma ceases or threatens to cease carrying on the business to perform its obligations under the CSO Deed, or disposes of its rights under the CSO Deed without the Commonwealth's consent.<br><br>The Commonwealth may also terminate if Sigma merges with a third party and the merger is likely to have a material impact on Sigma's ability to meet its obligations.<br><br>Both the Commonwealth and Sigma can terminate the CSO Deed on 180 days' notice. However, under the Merger Undertaking, Sigma has committed to remain a CSO distributor and not terminate the CSO Deed for at least five years from Implementation. |
| Reporting | Sigma has obligations to collect and provide certain monthly data reporting to the CSO Administration Agency in support of a claim for payment from the CSO funding pool. Sigma is also required to provide any other data reporting that the CSO Administration Agency reasonably requires. |
| Sanctions | Financial and non-financial sanctions may be applied by the CSO Administration Agency if Sigma fails to meet any of its obligations under the Deed, including but not limited to meeting the CSO Compliance Requirements and CSO Service Standards. The sanctions that may be applied depend on the type, extent and impact of the non-performance. |

## 9.7 Securityholding structure

Sigma's securityholding structure on the Prospectus Date and as expected immediately following Implementation of the Transaction and Completion of the Offer is set out below.

| Equity security | Prospectus Date | Implementation and Completion of the Offer[1] |
|---|---|---|
| Ordinary shares | 1,631,866,135 | 11,541,719,108 |
| Performance rights | 14,350,495 | 10,678,110[2] |
| **Total securities (fully diluted)** | **1,646,216,630** | **11,552,397,218** |

**Notes:**

1. For the purposes of this table, the fully diluted number of Sigma Shares includes 6,120,640 Sigma Performance Rights that will lapse upon Implementation and be replaced with cash bonuses of equivalent value (see "Treatment under the Transaction" in Figure 47 and Figure 51) and, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, 117,940 Sigma Shares (see Figure 46).
2. For the purposes of this table, this includes 6,120,640 Sigma Performance Rights that will lapse upon Implementation and be replaced with cash bonuses of equivalent value (see "Treatment under the Transaction" in Figure 47 and Figure 51 and 117,940 Sigma Performance Rights that would have been issued under the 2024/25 Short Term Incentive Deferral Rights Plan (see Figure 46).

## 9.8 Voluntary escrow arrangements

### 9.8.1 Escrow arrangements

Jack Gance, Sam Gance and Mario Verrocchi are committed to the long-term value creation opportunities available to the Merged Group. Therefore, each of them (and certain entities and persons associated with them) (**Escrowed Shareholders**) have entered into voluntary escrow arrangements regarding the Sigma Shares allotted to them in connection with the Transaction (**Escrowed Shares**). Subject to certain exceptions, the Escrowed Shareholders will be prevented from dealing with:

- 100% of the Escrowed Shares during the period commencing on the Implementation Date and ending on the earlier of 31 August 2025 and at the close of trading on ASX on the day that Sigma announces its financial results for the period ending 30 June 2025 (**First Escrow Period**); and
- 90% of the Escrowed Shares during the period commencing at the end of the First Escrow Period and ending on the earlier of 31 August 2026 and at the close of trading on ASX on the day that Sigma announces its financial results for the period ending 30 June 2026.

The restriction on disposing is broadly defined in the voluntary escrow deeds. It restricts the Escrowed Shareholders from, among other things:

- selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Escrowed Shares;
- encumbering or granting a security interest over the Escrowed Shares; and
- doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares or agreeing to do any of those things.

A holding lock will be applied to the Escrowed Shares upon Implementation to give effect to the above Escrow Arrangements.

The table below sets out the total number of Escrowed Shares held by the Escrowed Shareholders.

| **Escrowed Shareholder** | **Number of Escrowed Shares** | **Escrow Period** | **Number of Escrowed Shares eligible for early release)** |
|---|---|---|---|
| Mario Verrocchi and associated entities | 2,555,284,920 | As above | 255,528,492 |
| Jack Gance and associated entities | 1,579,050,058 | As above | 157,905,006 |
| Sam Gance and associated entities | 1,446,864,015 | As above | 144,686,402 |

### 9.8.2 Early release

In addition, the Escrowed Shares of each Escrowed Shareholder are eligible for early release:

- to enable the Escrowed Shareholder to accept a bona fide Third Party offer under a takeover bid in relation to the Escrow Shares, provided that the holders of at least half of the Shares that are not subject to any voluntary escrow deed, and to which the offers under the bid relate, have accepted the bid; or
- to enable to Escrowed Shares to be transferred or cancelled as part of a scheme of arrangement under Part 5.1 of the Corporations Act.

However, the escrow obligations will continue to apply to the Escrowed Shares if the Escrowed Shares are not transferred or cancelled in accordance with such a takeover bid or scheme of arrangement.

### 9.8.3 Restrictions on transfers

During the Escrow Period, Escrowed Shareholders whose Sigma Shares remain subject to escrow may dispose of any of their Escrowed Shares to the extent that the disposal is:

- required by an applicable law, including an order of a court of competent jurisdiction (provided that any recipient of the Escrowed Shares will no longer be bound by any holding lock or restrictions on dealing with respect to the Escrowed Shares);
- a transfer by the personal representative of the Escrowed Shareholder to whom the Escrowed Shares have been bequeathed (provided that the transferee will no longer be bound by any holding lock or restrictions on dealing with respect to the Escrowed Shares); or
- to the Escrowed Shareholder's spouse or a company or entity under the full and effective control of the Escrowed Shareholder, where the transferee also enters into an escrow arrangement with Sigma on substantially the same terms.

The Escrow Arrangements do not prevent Escrowed Shareholders from exercising any voting rights attaching to the Escrowed Shares.

## 9.9 Finance arrangements

### 9.9.1 Description of the facilities

Sigma has entered into long-form finance documentation with certain lenders under which those lenders have agreed to provide senior secured syndicated debt facilities to Sigma. The finance documentation includes a common terms deed, syndicated facility agreement and customary security (the **Banking Facilities**).

| Facility | Facility Type | Facility Limit | Borrower | Purpose | Maturity Date |
|---|---|---|---|---|---|
| A | Revolving cash advance | $940,000,000 | Sigma and certain other Sigma Group Members | Funding the Transaction (including refinancing of any existing indebtedness and financing costs associated with the Transaction) and general corporate purposes | Earlier of 3 years from financial close and 30 June 2028 |
| C | Re-drawable multi-option | $60,000,000 | | General corporate and working capital purposes (for the issuance of credit support documents) and any working capital adjustments in respect of the Transaction | |
| D | Revolving cash advance | $500,000,000 | | Funding the Transaction (including refinancing of any existing indebtedness) and financing costs associated with the Transaction and general corporate purposes | |

### 9.9.2 Representations, financial covenants, undertakings and events of default

Under the Banking Facilities, customary representations are given for the benefit of the lenders and other finance parties thereunder, including, but not limited to, no misleading information, no proceedings pending or threatened, no breach of laws, payment of taxes, security provided free of competing security interests, no event of default, disclosure and accurate financial statements (in each case subject to customary materiality thresholds, qualifiers and/or exceptions, as applicable).

Sigma also undertakes to comply with a fixed charge cover ratio, which is a measure of how well the Merged Group's earnings can be used to cover its interest and other financing costs and certain other charges. In addition, other undertakings under the Banking Facilities include, but are not limited to, information undertakings (such as the provision of financial statements), maintaining guarantor coverage, compliance with laws, undertakings relating to anti-money laundering, sanctions and anti-corruption laws, policies and procedures and security provided being free of competing security interests (in each case subject to customary materiality thresholds, qualifiers and/or exceptions, as applicable).

The events of default under the Banking Facilities are also customary for facilities of this nature, which include, but are not limited to, non-payment, breach of fixed charge cover ratio covenant, breach of other provisions, misrepresentation, cross-default, unlawfulness, insolvency-related events and material adverse effect (in each case subject to customary materiality thresholds, qualifiers and/or exceptions, as applicable). It will also be a review event under the Banking Facilities if the shares in Sigma are no longer listed on the ASX, suspended from trading for 5 consecutive business days or any person acquires, directly or indirectly, control of Sigma.

## 9.10 Litigation and claims

Sigma may, from time to time, be party to litigation and other claims and disputes incidental to the conduct of its business, including employment disputes, contractual disputes, indemnity claims and occupational and personal claims. Such litigation, claims and disputes, including the costs of settling claims and operational impacts, could materially adversely affect Sigma's business, operating and financial performance.

As far as the Directors and Proposed Directors are aware, as at the Prospectus Date there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or Governmental prosecution of a material nature in which Sigma or Chemist Warehouse (as applicable) is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Merged Group.

## 9.11 Ownership restrictions

The sale and purchase of shares in Australia are regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.11 contains a general description of these laws.

### 9.11.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in Sigma either themselves or through an associate.

### 9.11.2 *Foreign Acquisitions and Takeovers Act 1975* (Cth) and Federal Government Foreign Investment Policy

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (FATA) applies to acquisition of shares and voting power in a company of 20% or more by a single foreign person and its associates (Substantial Interest), or 40% or more by two or more associated foreign persons and their associates (Aggregate Substantial Interest), where the acquisition meets a threshold value (which varies by investor type and industry). Where a foreign person holds a Substantial Interest in Sigma or foreign persons hold an Aggregate Substantial Interest in Sigma, Sigma will be a "foreign person" for the purposes of FATA.

In addition, FATA applies to acquisitions of a direct interest in an Australian company by foreign governments and their related entities irrespective of the acquisition value. A "direct interest" is an interest of 10% in the entity but may also include an interest of less than 10% where the investor has entered into a legal arrangement relating to the business with the entity or the investor in a position to influence or participate in the management and control or policy of the entity. There are exemptions which can apply to certain acquisitions.

Where FATA applies to the acquisition, the acquisition may not occur unless (where required) notice of it has been given to the Federal Treasurer and the Federal Treasurer has either notified that there is no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting.

An acquisition to which FATA applies may be the subject of a divestment order by the Federal Treasurer unless the process of notification, and either a non-objection notification or expiry of a statutory period without objection, has occurred. Criminal offences and civil penalties can apply to failing to give notification of certain acquisitions, undertaking certain acquisitions without no objection notification or contravening a condition in a no objection notification.

## 9.12 Regulatory relief

### 9.12.1 ASIC exemptions and relief

As noted in Section 9.4 above, ASIC has agreed in principle to provide relief that will:

- allow Sigma to meet its financial reporting obligations based on a notional financial year that runs to 30 June each year (enabling the Merged Group to report in accordance with Chemist Warehouse's financial year of 30 June); and
- allow each of Sigma's subsidiaries (that have financial reporting obligations) to report as if their financial year end is 30 June as well as facilitate consolidated group reporting reflecting the new notional financial year ending on 30 June each year.

Sigma has also applied to ASIC under section 250P of the Corporations Act for a permanent extension of the time of Sigma's annual general meetings which will allow Sigma to hold its annual general meeting within five months of 30 June each year (rather than within five months of 31 January each year).

In addition, Sigma has applied to ASIC for an exemption under section 740 of the Corporations Act to ensure that the above relief in relation to Sigma's financial reporting obligations, once granted, will not prevent Sigma from relying on sections 708AA and 708A of the Corporations Act (which relate to rights issues and sale offers, respectively, that do not need disclosure), section 713 of the Corporations Act (which relate to offers under transaction specific prospectuses) and ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (which relate to offers under securities purchase plans).

### 9.12.2 ASX waivers and confirmations

ASX has provided the following confirmations in respect of the ASX Listing Rules:

- ASX Listing Rule 11.1.2 applies to the Transaction.
- ASX Listing Rule 11.1.3 does not apply to the Transaction, meaning Sigma is not required to re-comply with ASX's admission and quotation requirements. This is subject to the following conditions:
  - Sigma providing disclosure to the market of the Transaction and of Chemist Warehouse Group that is satisfactory to ASX;[194]
  - Sigma having appropriate arrangements in place for Chemist Warehouse Group to provide to Sigma:
- all the information that Sigma requires to comply with ASX Listing Rule 3.1 and Sigma will give that information to ASX for release to the market if necessary for Sigma to comply with its obligations under the ASX Listing Rules; and
- all financial statements that Chemist Warehouse Group lodges with ASIC and all documents that Chemist Warehouse Group lodges with ASIC which become public in connection with the Transaction at the same time as they are lodged with ASIC and that these documents will be immediately given to ASX for release to the market, including by requiring Chemist Warehouse Group to adopt a continuous disclosure and market communications policy on substantially the same terms as the one currently in place in relation to Sigma;
- Sigma providing all documents that Sigma lodges with ASIC which become public in connection with the Transaction to ASX for release to the market at the same time as those documents are lodged with ASIC; and
- Sigma issuing this Prospectus, which complies with the detailed content requirements in section 710 of the Corporations Act, on or before Implementation of the Transaction.
  - Sigma's structure and operations following Implementation of the Proposed Transaction will be appropriate for a listed entity. This is subject to:
- Sigma complying with all of the conditions described above; and
- Sigma obtaining, prior to Implementation of the Transaction, shareholder approval under ASX Listing Rule 10.1 for all agreements and arrangements in existence at the time of Implementation of the Transaction which provide for Chemist Warehouse Group, or any of its child entities, to acquire or dispose of a substantial asset to or from a person listed in ASX Listing Rule 10.1.1 to 10.1.5. Such shareholder approval must be on terms, and must be provided following disclosure, acceptable to ASX and which upholds the spirit, intention and purpose of ASX Listing Rule 10.1.[195]

In addition, as noted above, in response to Sigma's application to ASX for waivers in respect of ASX Listing Rules 4.2A, 4.2B, 4.3A, 4.3B, 4.5.1 and 4.7, ASX has determined to make a confirmation decision confirming that from Implementation, ASX will apply those ASX Listing Rules as if the Company's half year balance date is 31 December and not 31 July and its full year balance date is 30 June and not 31 January. ASX's decision is conditional on:

- ASIC granting the proposed relief in respect of the Company's financial reporting obligations under Part 2M.3 of the Corporations Act (as noted in Section 9.12.1 above);
- the ASIC relief remaining in full force and effect and the Company being in continued compliance with the ASIC relief; and
- the Company making certain disclosures to ASX required by ASX in relation to its decision.

## 9.13 Taxation considerations

This Section does not constitute financial product advice as defined in the Corporations Act and is confined to Australian taxation issues only. Taxation is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser, before making a decision about your investments.

The following tax comments are based on the tax and duty laws in Australia in force as at the date of this Prospectus. Australian tax and duty laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax and duty implications for each investor or relied upon as tax advice. During the period of ownership of the Shares by investors, the taxation laws of Australia, or their interpretation, may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, considering their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian tax resident individuals, complying superannuation entities, trusts, partnerships and corporate investors that hold their Shares on capital account. These comments do not apply to non-resident investors, investors that hold their Shares on revenue account or as trading stock, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the *Income Tax Assessment Act 1997* (Cth) which have made elections (ie to apply the fair value or reliance on financial reports or methodologies).

194. Sigma confirms that ASX has provided this confirmation.
195. This approval was obtained at a meeting of Sigma Shareholders held on 29 January 2025.

## 9.13.1 Dividends paid on shares

### 9.13.1.1 Australian resident individuals and complying superannuation entities

Dividends paid by Sigma on a share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend.

Subject to the comments in Section 9.13.2 below, such investors should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, the investor should be entitled to a tax refund equal to the excess.

To the extent that the dividend is unfranked, the investor will generally be taxed at his or her prevailing marginal rate on the unfranked portion of the dividend received (with no tax offset available in respect of the unfranked portion). Complying superannuation entities will generally be taxed at the prevailing rate for the complying superannuation entities (with no tax offset).

### 9.13.1.2 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a share of the franking credit received by the trust or partnership.

### 9.13.1.3 Corporate investors

Corporate investors are also required to include both the dividend and the associated franking credit in their assessable income. Subject to the comments in Section 9.13.2 below, corporate investors are then entitled to a tax offset up to the amount of the franking credit attached to the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credits attached to the distribution received. This will allow the corporate investor to pass on the franking credits to its investor(s) on the subsequent payment of franked dividends.

Excess franking credits received by corporate investors will not give rise to a refund entitlement for a company, but may be converted into carry forward tax losses instead.

### 9.13.1.4 Exempting franking credits

Dividends which have exempting franking credits attached and which are paid by Sigma to Australian resident shareholders are generally treated as unfranked dividends in the hands of the investor. The amount of the dividend shall be included in the assessable income of the investor.

## 9.13.2 Shares held at risk

The benefit of franking credits can be denied where an investor is not a 'qualified person', in which case the investor will not need to include the amount of the franking credits in their assessable income and will not be entitled to a tax offset for the amount of the franking credit.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, an investor is required to hold shares 'at risk' for more than 45 days continuously (which is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend) to qualify for the benefit of the franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed $5,000.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45-day period as above but within the period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

There are specific integrity rules that prevent taxpayers from obtaining a tax benefit from additional franking credits where dividends are received because of 'dividend washing' or certain other arrangements. Shareholders should consider the impact of these rules given their own personal circumstances.

### 9.13.3 Disposal of Shares

Typically Australian resident investors will be subject to Australian CGT on the disposal of their Shares. Some investors may hold their Shares on revenue account as trading stock, or be subject to the Taxation of Financial Arrangements regime. These investors should seek their own professional advice in respect of the consequences of a disposal of their Shares.

An investor will derive a capital gain on the disposal of Shares where the capital proceeds received (or deemed to be received) on disposal exceeds the CGT cost base of the Shares. The CGT cost base of the Shares is broadly the amount paid to acquire the Shares plus any qualifying incidental costs such a certain transaction or holding costs and subject to certain other potential modifications.

A CGT discount may be available on the capital gain for individual investors, certain trust investors and investors that are complying superannuation entities, provided the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and certain trusts is 50% and for complying superannuation entities is 33⅓%. In relation to trusts, the CGT discount rules are complex, but the discount may flow through to presently entitled beneficiaries of the trust. An investor will incur a capital loss on the disposal of their particular Shares to the extent that the capital proceeds received or deemed to be received on disposal are less than the CGT reduced cost base of the Shares.

If an investor derives a net capital gain in a year, this amount is, subject to the following comments, included in the investor's assessable income (if they are an individual or company) or in the investor's net income (if they are a trust or partnership). If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject to corporate and trust investors satisfying certain rules relating to the recoupment of carried forward losses.

### 9.13.4 Tax File Number (TFN) and Australian Business Number (ABN)

Resident investors may, if they choose, notify Sigma of their TFN, ABN or a relevant exemption from withholding tax with respect to dividends. In the event Sigma is not so notified, tax will automatically be deducted at the highest marginal rate, in addition to where relevant, the Medicare levy from dividends.

Resident investors may be able to claim a tax credit in respect of any tax withheld on dividends in their tax returns. An investor is not required to quote their TFN to Sigma.

An investor who holds Shares as part of an enterprise may quote its ABN instead of its TFN.

### 9.13.5 Goods and Services Tax (GST)

The acquisition, redemption or disposal of the Shares by an Australian resident (registered for GST) will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor (registered for GST) may not be entitled to claim full input tax credits in respect of GST on expenses incurred relating to the acquisition, redemption or disposal of the Shares (eg lawyers' and accountants' fees).

Investors should seek their own tax advice on the impact of GST in their own particular circumstances, including reverse-charge GST liabilities and entitlement to claim input tax credits (including 'reduced input tax credits') on account of any GST that is paid on expenses incurred relating to the acquisition, redemption or disposal of the Shares.

### 9.13.6 Stamp Duty

Stamp duty can arise on the acquisition of the Sigma Shares under the Offer where a person (alone/with associated persons/part of an associated transaction) acquires a 50% or greater interest in Sigma.

Investors should seek their own tax advice as to the impact of stamp duty in their own particular circumstances.

## 9.14 Selling restrictions

This Prospectus does not constitute an offer of Offer Shares in any jurisdiction in which it would be unlawful.

This document may not be distributed to any person, and the Offer Shares may not be offered or sold, in any country outside Australia.

## 9.15 Consents to be named and disclaimers of responsibility

Each of the parties listed in this Section 9.15, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding and take no responsibility, for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below. None of the parties listed in this Section 9.15 has authorised or caused the issue of this Prospectus.

Each of the parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements in this Prospectus that are specified below in the form and context in which the statements appear:

- Gilbert + Tobin has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to Sigma in relation to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to Sigma in relation to the Financial Information in the form and context in which it is named and to the inclusion of its Investigating Accountant's Report on the Financial Information set out in Section 8 in the form and context in which it appears in this Prospectus;
- KPMG has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as tax adviser to Sigma in the form and context in which it is so named;
- Deloitte Touche Tohmatsu has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the auditor of Sigma;
- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the auditor of Chemist Warehouse;
- MUFG Corporate Markets (AU) Limited (previously named Link Market Services Limited) has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as share registry of Sigma in the form and context in which it is named. Share Registry has had no involvement in the preparation of any part of this Prospectus other than being named as share registry to Sigma. MUFG Corporate Markets (AU) Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus; and
- Chemist Warehouse has given, and has not withdrawn before lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in relation to the inclusion in this Prospectus of the Chemist Warehouse Information. Chemist Warehouse takes no responsibility for any part of this Prospectus other than any reference to its name and the Chemist Warehouse Information.

## 9.16 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under the Prospectus are governed by the laws applicable in Victoria, Australia and each Applicant submits to the exclusive jurisdiction of the courts of Victoria, Australia.

## 9.17 Statement of directors

This Prospectus is authorised by each Sigma Director and Proposed Director who consents to its issue and its lodgement with ASIC.

## Annexure A

# Additional financial information

# Annexure A. Additional financial information

## 1. Sigma Historical Financial Information Preparation

Sigma Historical Financial Information includes the following:

- Sigma historical consolidated statements of profit or loss the years ended 31 July 2022, 31 July 2023 and 31 July 2024 (**Sigma Historical Income Statements**);
- Sigma historical consolidated cash flow information the years ended 31 July 2022, 31 July 2023 and 31 July 2024 (**Sigma Historical Statements of Cash Flows**); and
- Sigma historical consolidated statement of financial position as at 31 July 2024 (**Sigma Historical Statement of Financial Position**).

The Sigma Historical Financial Information has been extracted from the following:

- the consolidated financial statements of Sigma for the financial years ended 31 January 2022 (as extracted from the consolidated financial statements for the year ended 31 January 2023), the financial year ended 31 January 2023 (as extracted from the consolidated financial statements for the financial year ended 31 January 2024) and the year ended 31 January 2024.
- the consolidated financial statements of Sigma for the half years ended 31 July 2021 (as extracted from the consolidated financial statements for the half year ended 31 July 2022), the half year ended 31 July 2022 (as extracted from the consolidated financial statements for the half year ended 31 January 2023), the half year ended 31 July 2023 (as extracted from the consolidated financial statements for the half year ended 31 January 2024) and the half year ended 31 July 2024.

The consolidated financial statements of Sigma for the financial years ended 31 January 2022, 31 January 2023 and 31 January 2024 were audited by Deloitte in accordance with Australian Auditing Standards, and Deloitte have provided unqualified audit opinions on these financial statements. The consolidated financial statements of Sigma for the half years ended 31 July 2022, 31 July 2023 and 31 July 2024 (including the comparative financial statements for the half year ended 31 July 2021, 31 July 2022 and 31 July 2023) were reviewed by Deloitte in accordance with Australian Auditing Standards, and Deloitte have provided unqualified review reports on these financial statements. The historical financial information of Sigma has been prepared in accordance with the significant accounting policies described in the consolidated financial statements of Sigma for the financial year ended 31 January 2024.

As described in Section 4.2.3 Figure 55, Figure 56 and Figure 57 have been compiled and derived from the Sigma audited annual financial statements for the years ended 31 January 2022, 31 January 2023, and 31 January 2024 and presented to a 31 July year end basis using interim half yearly financial statements and remapped to be presented on a basis consistent with the Chemist Warehouse financial disclosures.

The remapping process principally had the following impacts to the Sigma Historical Income Statements as reflected in the 'Remapped' column:

- CSO income has been remapped from other income to revenue; and
- depreciation and amortisation has been allocated between warehousing and distribution expenses and administration and general expenses.

## 2. Sigma Historical Income Statements

Set out below are the underlying calculations utilised to derive the Sigma Historical Income Statements for the years ended 31 July 2022, 31 July 2023 and 31 July 2024.

### Figure 54: Sigma Historical Income Statement – FY24

| $m | 12 months ended 31 January 2024 | Less: 6 months ended 31 July 2023 | Plus: 6 months ended 31 July 2024 | 12 months ended 31 July 2024 | Remapped 12 months ended 31 July 2024 |
|---|---|---|---|---|---|
| Revenue | 3,322.1 | 1,681.8 | **1,840.3** | **3,480.6** | **3,496.6** |
| Cost of sales | (3,103.9) | (1,571.5) | **(1,720.4)** | **(3,252.8)** | **(3,263.0)** |
| **Gross profit** | **218.1** | **110.2** | **119.9** | **227.8** | **233.6** |
| Other income | 95.2 | 53.5 | **40.2** | **81.9** | **76.3** |
| Other expense | – | – | **–** | **–** | **–** |
| **Operating expenses** | | | | | |
| Warehousing and distribution expenses | (134.6) | (70.4) | **(70.5)** | **(134.7)** | **(153.4)** |
| Marketing and sales expenses | (38.6) | (18.6) | **(22.1)** | **(42.1)** | **(44.0)** |
| Administration and general expenses | (88.6) | (38.0) | **(47.5)** | **(98.2)** | **(104.8)** |
| Depreciation and amortisation | (28.3) | (14.3) | **(13.1)** | **(27.1)** | **–** |
| **Operating expenses** | **(290.1)** | **(141.3)** | **(153.3)** | **(302.0)** | **(302.2)** |
| **EBIT** | **23.2** | **22.4** | **6.9** | **7.7** | **7.7** |
| Net finance costs | (14.6) | (8.3) | **1.3** | **(5.0)** | **(5.0)** |
| **Profit before income tax expense** | **8.6** | **14.1** | **8.1** | **2.7** | **2.7** |
| Income tax expense | (3.3) | (2.4) | **(3.9)** | **(4.9)** | **(4.9)** |
| **Profit after income tax expense** | **5.3** | **11.7** | **4.2** | **(2.1)** | **(2.1)** |
| (Profit)/Loss attributable to non-controlling interests | (0.8) | (0.5) | **(0.5)** | **(0.9)** | **(0.9)** |
| **Profit attributable to owners of Sigma** | **4.5** | **11.2** | **3.7** | **(3.0)** | **(3.0)** |

**Note:** Other income includes items named 'Other revenue' and 'impairment expense' in the Sigma consolidated financial statements.

### Figure 55: Sigma Historical Income Statement – FY23

| $m | 12 months ended 31 January 2023 | Less: 6 months ended 31 July 2022 | Plus: 6 months ended 31 July 2023 | 12 months ended 31 July 2023 | Remapped 12 months ended 31 July 2023 |
|---|---|---|---|---|---|
| Revenue | 3,660.2 | 1,836.1 | 1,681.8 | 3,505.9 | 3,526.2 |
| Cost of sales | (3,405.8) | (1,704.5) | (1,571.5) | (3,272.8) | (3,284.5) |
| **Gross profit** | **254.4** | **131.6** | **110.2** | **233.1** | **241.7** |
| Other income | 94.7 | 42.5 | 53.5 | 105.7 | 95.4 |
| **Other expense** | **(6.5)** | **(4.9)** | **–** | **(1.6)** | **–** |
| Operating expenses | | | | | |
| Warehousing and distribution expenses | (161.6) | (80.7) | (70.4) | (151.3) | (172.9) |
| Marketing and sales expenses | (48.8) | (26.8) | (18.6) | (40.5) | (46.2) |
| Administration and general expenses | (82.6) | (41.0) | (38.0) | (79.6) | (81.7) |
| Depreciation and amortisation | (30.3) | (15.3) | (14.3) | (29.4) | – |
| **Operating expenses** | **(323.3)** | **(163.8)** | **(141.3)** | **(300.9)** | **(300.8)** |
| **EBIT** | **19.3** | **5.4** | **22.4** | **36.3** | **36.3** |
| Net finance costs | (13.8) | (6.3) | (8.3) | (15.8) | (15.8) |
| **Profit before income tax expense** | **5.5** | **(0.9)** | **14.1** | **20.5** | **20.5** |
| Income tax expense | (2.4) | 0.1 | (2.4) | (4.9) | (4.9) |
| **Profit after income tax expense** | **3.0** | **(0.8)** | **11.7** | **15.5** | **15.5** |
| (Profit)/Loss attributable to non-controlling interests | (1.2) | (0.7) | (0.5) | (1.0) | (1.0) |
| **Profit attributable to owners of Sigma** | **1.8** | **(1.5)** | **11.2** | **14.5** | **14.5** |

**Note:** Refer to Figure 54 note.

**Figure 56: Sigma Historical Income Statement – FY22**

| $m | 12 months ended 31 January 2022 | Less: 6 months ended 31 July 2021 | Plus: 6 months ended 31 July 2022 | 12 months ended 31 July 2022 | Remapped 12 months ended 31 July 2022 |
|---|---|---|---|---|---|
| Revenue | 3,446.2 | 1,732.6 | 1,836.1 | 3,549.6 | 3,569.9 |
| Cost of sales | (3,208.2) | (1,614.7) | (1,704.5) | (3,298.1) | (3,309.1) |
| **Gross profit** | **237.9** | **117.9** | **131.6** | **251.6** | **260.8** |
| Other income | 103.3 | 52.1 | 42.5 | 93.7 | 77.6 |
| Other expense | (1.6) | (1.7) | (4.9) | (4.8) | – |
| **Operating expenses** | | | | | |
| Warehousing and distribution expenses | (154.9) | (72.8) | (80.7) | (162.8) | (174.8) |
| Marketing and sales expenses | (61.7) | (29.0) | (26.8) | (59.5) | (52.1) |
| Administration and general expenses | (93.0) | (48.8) | (41.0) | (85.2) | (108.2) |
| Depreciation and amortisation | (27.7) | (13.3) | (15.3) | (29.6) | – |
| **Operating expenses** | **(337.3)** | **(163.9)** | **(163.8)** | **(337.1)** | **(335.1)** |
| **EBIT** | **2.3** | **4.4** | **5.4** | **3.3** | **3.3** |
| Net finance costs | (10.6) | (5.1) | (6.3) | (11.8) | (11.8) |
| **Profit before income tax expense** | **(8.3)** | **(0.7)** | **(0.9)** | **(8.5)** | **(8.5)** |
| Income tax expense | 2.0 | (0.1) | 0.1 | 2.2 | 2.2 |
| **Profit after income tax expense for the year** | **(6.3)** | **(0.8)** | **(0.8)** | **(6.4)** | **(6.4)** |
| (Profit)/Loss attributable to non-controlling interests | (0.9) | (0.5) | (0.7) | (1.1) | (1.1) |
| **Profit attributable to owners of Sigma** | **(7.2)** | **(1.3)** | **(1.5)** | **(7.4)** | **(7.4)** |

**Notes:**

1. Cost of sales and Other income for the 6 months ended 31 July 2021 have been adjusted to reflect the change in classification of certain supplier income consistent with the accounts prepared for the 12 months ended 31 January 2022.
2. Refer to Figure 54 note.

# Annexure A. Additional financial information continued

## 3. Sigma Historical Statement of Cash Flows

### Figure 57: Sigma Historical Statement of Cash Flows – FY24

| $m | 12 months ended 31 January 2024 | Less: 6 months ended 31 July 2023 | Plus: 6 months ended 31 July 2024 | 12 months ended 31 July 2024 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| **EBIT** | **23.2** | **22.4** | **6.9** | **7.7** |
| Interest and other finance costs paid | (16.3) | (9.0) | **(5.8)** | **(13.2)** |
| Interest and other finance income received | 1.7 | 0.6 | **7.1** | **8.2** |
| Income tax paid | 0.3 | (2.0) | **(2.1)** | **0.3** |
| Depreciation expense | 24.5 | 12.3 | **11.4** | **23.5** |
| Amortisation expense | 3.8 | 2.0 | **1.7** | **3.6** |
| Other non-cash items | (8.0) | (7.7) | **1.2** | **0.9** |
| Movement in working capital | 12.6 | (23.8) | **(127.8)** | **(91.3)** |
| **Cash flows from operating activities** | **42.0** | **(5.1)** | **(107.4)** | **(60.3)** |
| **Cash flows from investing activities** | | | | |
| Payments for property, plant and equipment, software and intangibles | (4.72) | (1.2) | **(2.1)** | **(5.7)** |
| Proceeds from sale of a subsidiary, net of cash disposed | – | – | **–** | **–** |
| Proceeds from sales of financial assets | 1.5 | – | **–** | **1.5** |
| Proceeds from sale of property, plant and equipment and intangibles | 8.9 | 0.6 | **–** | **8.4** |
| **Cash flows from investing activities** | **5.7** | **(0.6)** | **(2.1)** | **4.2** |
| **Cash flows from financing activities** | | | | |
| Proceeds from issue of shares | 394.3 | – | **–** | **394.3** |
| Proceeds from loans | 725.0 | 565.0 | **–** | **160.0** |
| Repayments of loans | (805.0) | (565.0) | **–** | **(240.0)** |
| Principal elements of lease payments | (9.5) | (4.9) | **(5.0)** | **(9.6)** |
| Proceeds from employee shares exercised | 1.8 | 1.2 | **0.7** | **1.3** |
| **Cash flows from financing activities** | **306.6** | **(3.7)** | **(4.3)** | **306.0** |
| **Movement in net cash before dividends** | **354.3** | **(9.4)** | **(113.8)** | **249.9** |
| Dividends paid – Sigma | (10.0) | (5.0) | **(7.9)** | **(12.9)** |
| Dividends paid – non-controlling interest | (0.8) | (0.8) | **(0.6)** | **(0.6)** |
| **Movement in net cash after dividends** | **343.5** | **(15.2)** | **(122.3)** | **236.4** |

**Note:**

1. 'Other non-cash items' and 'Principal elements of lease payments' have been reclassified for the 6 months ended 31 July 2023 to reflect the change in classification of interest expense on leases from a financing cash flow to an operating cash flow. This change is consistent with the accounts prepared for the 12 months ended 31 January 2024.

**Figure 58: Sigma Historical Statement of Cash Flows – FY23**

| $m | 12 months ended 31 January 2023 | Less: 6 months ended 31 July 2022 | Plus: 6 months ended 31 July 2023 | 12 months ended 31 July 2023 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| **EBIT** | **19.3** | **5.4** | **22.4** | **36.3** |
| Interest and other finance costs paid | (14.4) | (6.5) | (9.0) | 1.1 |
| Interest and other finance income received | 0.6 | 0.1 | 0.6 | (16.9) |
| Income tax paid | (9.7) | (6.5) | (2.0) | (5.2) |
| Depreciation expense | 26.5 | 13.4 | 12.3 | 25.5 |
| Amortisation expense | 3.8 | 1.8 | 2.0 | 3.9 |
| Other non-cash items | 15.5 | 14.3 | (7.7) | (6.5) |
| Movement in working capital | 94.5 | 72.6 | (23.8) | (1.9) |
| **Cash flows from operating activities** | **136.0** | **94.7** | **(5.1)** | **36.2** |
| **Cash flows from investing activities** | | | | |
| Payments for property, plant and equipment, software and intangibles | (29.4) | (15.1) | (1.2) | (15.4) |
| Proceeds from sale of a subsidiary, net of cash disposed | 0.4 | – | – | 0.4 |
| Proceeds from sales of financial assets | 0.3 | – | – | 0.3 |
| Proceeds from sale of property, plant and equipment and intangibles | 0.1 | – | 0.6 | 0.6 |
| **Cash flows from investing activities** | **(28.6)** | **(15.1)** | **(0.6)** | **(14.1)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from issue of shares | – | – | – | – |
| Proceeds from loans | 385.0 | – | 565.0 | 950.0 |
| Repayments of loans | (470.0) | (70.0) | (565.0) | (965.0) |
| Principal elements of lease payments | (10.1) | (5.3) | (4.9) | (9.7) |
| Proceeds from employee shares exercised | 0.9 | 0.3 | 1.2 | 1.8 |
| **Cash flows from financing activities** | **(94.2)** | **(75.0)** | **(3.7)** | **(22.9)** |
| **Movement in net cash before dividends** | **13.1** | **4.5** | **(9.4)** | **(0.8)** |
| Dividends paid – Sigma | (15.0) | (10.0) | (5.0) | (10.0) |
| Dividends paid – non-controlling interest | (1.0) | (1.0) | (0.8) | (0.8) |
| **Movement in net cash after dividends** | **(2.8)** | **(6.4)** | **(15.2)** | **(11.6)** |

**Note:**

1. Refer to Figure 57 note. The same reclassification has been made for the 6 months ended 31 July 2022.

# Annexure A. Additional financial information continued

**Figure 59: Sigma Historical Statement of Cash Flows – FY22**

| $m | 12 months ended 31 January 2022 | Less: 6 months ended 31 July 2021 | Plus: 6 months ended 31 July 2022 | 12 months ended 31 July 2022 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| **EBIT** | **2.3** | **4.4** | **5.4** | **3.3** |
| Interest and other finance costs paid | (10.8) | (5.2) | (6.5) | (12.1) |
| Interest and other finance income received | 0.2 | 0.1 | 0.1 | 0.2 |
| Income tax paid | (12.3) | (8.0) | (6.5) | (10.8) |
| Depreciation expense | 24.3 | 11.8 | 13.4 | 25.9 |
| Amortisation expense | 3.4 | 1.6 | 1.8 | 3.7 |
| Other non-cash items | 1.9 | 2.4 | 14.3 | 13.8 |
| Movement in working capital | (61.9) | (19.4) | 72.6 | 30.1 |
| **Cash flows from operating activities** | **(52.9)** | **(12.4)** | **94.7** | **54.2** |
| **Cash flows from investing activities** | | | | |
| Payments for property, plant and equipment, software and intangibles | (14.2) | (4.3) | (15.1) | (25.0) |
| Proceeds from sale of a subsidiary, net of cash disposed | – | – | – | – |
| Proceeds from sales of financial assets | (2.4) | (0.6) | – | (1.7) |
| Proceeds from sale of property, plant and equipment and intangibles | – | – | – | – |
| **Cash flows from investing activities** | **(16.6)** | **(5.0)** | **(15.1)** | **(26.7)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from issue of shares | – | – | – | – |
| Proceeds from loans | 165.0 | 40.0 | – | 125.0 |
| Repayments of loans | – | – | (70.0) | (70.0) |
| Principal elements of lease payments | (9.8) | (4.7) | (5.3) | (10.4) |
| Proceeds from employee shares exercised | 0.2 | 0.3 | 0.3 | 0.2 |
| **Cash flows from financing activities** | **155.4** | **35.6** | **(75.0)** | **44.8** |
| **Movement in net cash before dividends** | **85.9** | **18.2** | **4.5** | **72.3** |
| Dividends paid – Sigma | (19.9) | (10.0) | (10.0) | (19.9) |
| Dividends paid – non-controlling interest | – | – | (1.0) | (1.0) |
| **Movement in net cash after dividends** | **66.0** | **8.2** | **(6.4)** | **51.4** |

**Note:**

1. Refer to Figure 57 note. The same reclassification has been made for the 6 months ended 31 July 2021 and the 12 months ended 31 January 2022.

## 4. Sigma Historical Statement of Financial Position

**Figure 60: Sigma Historical Statement of Financial Position as at 31 July 2024**

| $m | As at 31 July 2024 |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | 234.2 |
| Trade and other receivables | 589.0 |
| Inventories | 372.7 |
| Income tax receivable | 5.6 |
| Prepayments | 10.4 |
| Other current assets | 4.8 |
| Assets held for sale | 6.6 |
| **Total current assets** | 1,223.4 |
| **Non-current assets** | |
| Trade and other receivables | 10.8 |
| Property, plant and equipment | 183.9 |
| Goodwill and other intangible assets | 109.4 |
| Right of use assets | 83.9 |
| Other financial assets | 15.7 |
| Other non-current assets | 18.8 |
| Net deferred tax assets | 56.9 |
| **Total non-current assets** | 479.4 |
| **Total assets** | 1,702.8 |
| **Current liabilities** | |
| Trade and other payables | 675.4 |
| Lease liabilities | 13.3 |
| Provisions | 10.1 |
| Deferred income | 0.7 |
| Other current liabilities | 1.5 |
| Liabilities held for sale | 0.5 |
| **Total current liabilities** | 701.5 |
| **Non-current liabilities** | |
| Lease liabilities | 124.3 |
| Provisions | 5.2 |
| **Total non-current liabilities** | 129.5 |
| **Total liabilities** | 831.0 |
| **Net assets** | 871.7 |
| **Equity** | |
| Contributed equity | 1,638.4 |
| Reserves | 5.3 |
| Accumulated losses | (773.7) |
| Non-controlling interests | 1.8 |
| **Total equity** | 871.7 |

# Annexure B

## Merged Group's proposed significant accounting policies

# Annexure B.
# Merged Group's proposed significant accounting policies

## Basis of preparation

The principal accounting policies adopted in the preparation of the Merged Group Pro Forma Historical Financial Information included in Section 4 of this Prospectus are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, financial assets at fair value through other comprehensive income.

## Principles of consolidation and equity accounting

### Subsidiaries

Subsidiaries are all entities over which the Merged Group has control. The Merged Group controls an entity when the Merged Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Merged Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Merged Group.

### Associates

Associates are all entities over which the Merged Group has significant influence but not control or joint control. This is generally the case where the Merged Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost in the historical statement of financial position.

### Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

### Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Merged Group's share of post-acquisition profits or losses of the investee in profit or loss, and the Merged Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from equity accounted investments are recognised as a reduction in the carrying value of the investment.

Where the Merged Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Merged Group does not recognise further losses, until it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Merged Group and its equity accounted investments are eliminated to the extent of the Merged Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the Merged Group.

### Changes in ownership interests

The Merged Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Merged Group. A change in ownership interests results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of the Merged Group.

When the Merged Group ceases to consolidate or equity account for an investment because of loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Merged Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate or joint venture are reduced but joint control or significant influence is retained, only a proportionate share of amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

# Annexure B.
# Merged Group's proposed significant accounting policies
continued

## Revenue recognition

The Merged Group recognises revenue as follows:

### Revenue from contracts with customers

#### Sales revenue

#### Sale of goods – wholesale

Revenue associated with the sale of goods is recognised when the performance obligation of the sale has been fulfilled and control of the goods has transferred to the customer, which occurs when the goods are delivered. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Merged Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated discounts and rebates. In recognising revenue from the sales of goods, the Merged Group considers its historical experience with sales returns to determine if it is 'highly probable' that a significant reversal of revenue will arise in the future. No significant element of financing is deemed present.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A number of contracts include lease and revenue components. The transaction price for these components is allocated to each performance obligation based on the stand-alone selling prices.

#### Sales of goods – retail sales

Revenue from the sale of goods are recognised when control of the goods has transferred to the customer. For goods purchased in-store, control of the goods transfers to the customer at the point of sale. For goods purchased online, control of the goods transfers to the customer upon delivery.

#### Fees revenue

For wholesale sales directly delivered by suppliers, the Merged Group acts as an agent. The Merged Group recognises revenue, which represents the consideration received from the customer, net of amounts payable to third parties, when its performance obligation is satisfied.

#### Refund liability

A refund liability and a right to the returned goods are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

#### Services revenue

Services revenue consists of commissions, franchise and related fees, marketing services, promotional and advertising revenue. Revenue from providing services is recognised in the accounting period in which the services are rendered.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Merged Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

## Finance costs and income

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Interest cost/income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset/liability and allocating the interest income/cost over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts/payments through the expected life of the financial asset/liability to the net carrying amount of the financial asset/liability.

## Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Foreign entities are taxed individually within their respective tax jurisdictions.

## Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Merged Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset or lease receivable, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The Merged Group recognises the lease payments for short-term leases and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones) as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

These leases are not included in right-of-use assets or corresponding lease liabilities in accordance with AASB 16 *Leases*.

## Lease receivables

The Merged Group holds the head lease for some of the franchise and other stores. The Merged Group sub-licences the location to the franchisee under the same terms and conditions as the head lease. The Merged Group recognises a lease liability together with an offsetting finance lease receivable for leases associated with franchise and other stores under sub-licensing arrangements lease payments under these sub-leases are fixed.

For subleases, where the lease payments are fully variable the Merged Group accounts for the sub-lease as operating leases. For operating leases, the variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

## Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

The Merged Group leases various offices, warehouses, retail stores and equipment. Rental contracts are made for fixed periods typically of twelve months to 19 years but may have extension option.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Merged Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Right-of-use assets that meet the definition of investment property are measured at cost.

The Merged Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### Impairment assessments

The Merged Group tests right of use assets for impairment to ensure they are not carried above their recoverable amounts where there is an indication that assets may be impaired (which is assessed at least at each reporting date).

These tests are performed by assessing the recoverable amount of each individual asset or, if this is not possible, the recoverable amount of the CGU to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash inflows and outflows.

The carrying values of the right-of-use assets are reviewed for impairment annually. If an indication of impairment exists, and where the carrying value of the asset exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value-in-use. Value-in-use refers to an asset's value based on the expected future cash flows arising from its continued use, discounted to present value using a post-tax discount rate that reflect current market assessments of the risks specific to the asset. The recoverable amount was estimated on an individual lease basis.

## Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Merged Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a diminishing value/straight line basis to allocate the cost of the assets over their expected useful lives, or in the case of leasehold improvements, the shorter lease term as follows:

| | |
|---|---|
| Property, plant and equipment | 2 – 20 years |
| Buildings | 40 years |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

The present value of the estimated expenditure required to remove any leasehold improvements has been capitalised as part of the cost of leasehold improvements and these costs amortised over the shorter of the term of the lease and the useful life of the assets.

## Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

## Trade and other payables

These amounts represent liabilities for goods and services provided to the Merged Group prior to the end of the financial year and which are unpaid. The carrying amounts of trade and other payables are considered to be same as their fair values, due to their short-term nature.

## Intangible assets

Intangible assets are carried at cost less accumulated depreciation and impairment losses where applicable. Intangible assets acquired separately are capitalised at cost or if arising from a business combination at fair value as at the date of acquisition.

### Finite life intangibles

Certain intangible assets have been assessed to have a finite useful life and are carried at cost less accumulated amortisation. Where acquired in a business combination cost represents the fair value at the date of acquisition. They are amortised over their expected useful lives, which vary from 25 to 60 years.

### Indefinite life intangibles

Certain intangible assets have been assessed to have an indefinite useful life and are carried at cost. When acquired in a business combination cost represents the fair value at the date of acquisition. They are not amortised and are periodically tested for indicators of impairment and the continuation of the indefinite life designation.

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Merged Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is measured at cost and subsequently measured at cost less any impairment losses.

## Employee benefits

### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

### Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

# Annexure B.
# Merged Group's proposed significant accounting policies
continued

## Share-based payments

### Accounting policy for share-based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Monte Carlo simulation or Black-Scholes option pricing model methods which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Merged Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Merged Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Merged Group revises its estimate of the number of each equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the options/performance rights reserve.

## Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and which the Merged Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Merged Group considers this classification to be more relevant.

All of the financial assets at FVOCI are denominated in Australian dollars.

## Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Merged Group's accounting policies. The key areas which involve a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong are outlined below.

### Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales history, the ageing of inventories and other factors that affect inventory obsolescence.

### Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Merged Group also considers factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Merged Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

### Classification of Leases

The Merged Group holds the head lease for the majority of franchise stores and sub-licenses these to franchisees.

Where the Merged Group sub-licenses the location to franchisees under the same terms and conditions as the head lease and the lease payments are considered fixed, the sublease arrangement is classified as a finance lease.

### Consolidation assessment of franchisees

In determining whether the franchisees require to be consolidated with the Merged Group an assessment of Control will be made. It was determined that the Merged Group does not have substantive power over the franchisees and therefore does not control them. Franchisees are therefore not consolidated with the Merged Group.

### Right-of-use asset impairment

The Merged Group tests right of use assets for impairment to ensure they are not carried above their recoverable amounts where there is an indication that assets may be impaired (which is assessed at least at each reporting date).

### Revenue – Variable consideration

Where contracts with customers includes variable consideration, the revenue's transaction price includes an estimate of the variable consideration based on the expected value (the sum of probability-weighted amounts) in a range of possible consideration amounts. The estimation of that variable consideration is based on available historical outcomes of the variability.

### Investments accounted for using the equity method

The Merged Group accounts for its investment in New Zealand entities that operate Chemist Warehouse stores using the equity method. This is on the basis that the Merged Group's contractual arrangements with these entities result in them meeting the definition of an accounting joint venture.

### Impairment testing of goodwill

Goodwill is tested for impairment annually, or more frequently when indicators of impairment are identified. In testing for impairment, the carrying amount of each CGU is compared against the recoverable amount.

# Annexure C

## Glossary

# Annexure C. Glossary

| Term | Meaning |
|---|---|
| AASB | Australian Accounting Standards Board. |
| ACCC | Australian Competition and Consumer Commission. |
| Accounting Standards | 1. the Australian Accounting Standards and Interpretations issued by the AASB; and<br>2. if no accounting standard or interpretation applies, the principles set out in Australian Statements of Accounting Concepts. |
| ACT | Australian Capital Territory. |
| AEMP | Australian ex-manufacturer price. |
| Aggregate Substantial Interest | has the meaning given in Section 9.11.2. |
| AMS Constructions | has the meaning given in Section 6.6.5.2. |
| ANZ | Australia and New Zealand Banking Group Limited. |
| Applicant | a person who submits an Application. |
| Application | an application for Offer Shares under the Offer. |
| Application Form | the relevant form provided to Applicants by Sigma pursuant to which Applicants may apply for Offer Shares. |
| Application Monies | the amount of money submitted or made available by an Applicant in connection with an Application. |
| ARTG | Australian register of therapeutic goods. |
| ASIC | Australian Securities and Investments Commission. |
| ASX | ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates. |
| ASX Recommendations | ASX Corporate Governance Principles and Recommendations (Fourth Edition) as issued by the ASX Corporate Governance Council. |
| ASX Listing Rules | the listing rules of the ASX as amended or replaced from time to time. |
| ASX Settlement | ASX Settlement Pty Limited (ABN 49 008 504 532). |
| ASX Settlement Rules | the settlement operating rules of ASX Settlement. |
| ATO | Australian Taxation Office. |
| Australian Franchise Network | franchised stores operating under the Chemist Warehouse, Amcal, My Chemist and DDS franchise pharmacy brands, as well as Pipeline Stores. |
| Australian Retail Network | Retail Network stores located in Australia. |
| Banking Facilities | has the meaning given in Section 9.9.1. |
| Business Day | a day on which banks are open for business in Melbourne, other than a Saturday, Sunday or public holiday. |
| CGT | capital gains tax. |
| CGU | cash generating unit. |
| Chapter 2E | Chapter 2E of the Corporations Act. |
| Chemist Warehouse | CW Group Holdings Limited (ACN 635 851 839), and where the context requires, the business conducted by that entity or the Chemist Warehouse Group. |
| Chemist Warehouse Australian Franchise Network | franchised stores operating under the Chemist Warehouse and My Chemist franchise pharmacy brands, as well as Pipeline Stores, in Australia. |
| Chemist Warehouse Board | the board of directors of Chemist Warehouse. |

# Annexure C. Glossary continued

| Term | Meaning |
|---|---|
| Chemist Warehouse Franchise Model | the commercial arrangements between Chemist Warehouse and its franchisees. Refer to Section 9.6.1 for further information. |
| Chemist Warehouse Franchisees | franchisees who have entered into a franchise agreement with a Chemist Warehouse Group Member. |
| Chemist Warehouse Founders | Mario Verrocchi, Jack Gance and Sam Gance. |
| Chemist Warehouse Group | Chemist Warehouse and each of its Controlled entities, and a reference to a Chemist Warehouse Group Member or a member of the Chemist Warehouse Group is to Chemist Warehouse or any of its Controlled entities. |
| Chemist Warehouse Historical Financial Information | the Chemist Warehouse Historical Income Statements together with the Chemist Warehouse Historical Statements of Cash Flow and the Chemist Warehouse Historical Statement of Financial Position. |
| Chemist Warehouse Historical Income Statements | the Chemist Warehouse historical consolidated statements of profit or loss for FY22, FY23 and FY24. |
| Chemist Warehouse Historical Statement of Financial Position | the Chemist Warehouse historical statement of financial position as at 30 June 2024. |
| Chemist Warehouse Historical Statements of Cash Flow | the Chemist Warehouse historical consolidated cash flow information for FY22, FY23 and FY24. |
| Chemist Warehouse Information | information regarding the Chemist Warehouse Group and the Merged Group provided or prepared by or on behalf of Chemist Warehouse for inclusion in this Prospectus (or any supplement or replacement), including information in the following Sections or parts of those Sections:<br>1. Section 1 as it relates to Chemist Warehouse's contribution to the information contained in that Section;<br>2. Section 2 as it relates to Chemist Warehouse's contribution to the information contained in that Section;<br>3. Section 3 as it relates to (a) information relating to the Chemist Warehouse Group or the business of the Chemist Warehouse Group and (b) Chemist Warehouse's contribution to the information regarding the Merged Group (it being noted that, for the avoidance of doubt, Sigma is responsible for all information in Section 3 relating to the Sigma Group or the business of the Sigma Group provided or prepared by or on behalf of Sigma for inclusion in Section 3);<br>4. Section 4 as it relates to (a) information relating to the Chemist Warehouse Group or the business of the Chemist Warehouse Group and (b) Chemist Warehouse's contribution to the information regarding the Merged Group (it being noted that, for the avoidance of doubt, Sigma is responsible for all information in Section 4 relating to the Sigma Group or the business of the Sigma Group provided or prepared by or on behalf of Sigma for inclusion in Section 4);<br>5. Section 5.2 as it relates to Chemist Warehouse's contribution to the information contained in that Section;<br>6. Sections 6.1, 6.2, 6.3. 6.4 and 6.6 as it relates to Chemist Warehouse's contribution to the information contained in those Sections;<br>7. Section 9.6.1.1 as it relates to Chemist Warehouse's contribution to the information contained in that Section; and<br>8. Appendix B as it relates to Chemist Warehouse's contribution to the information in Appendix B.<br>For the avoidance of doubt, the Chemist Warehouse Information excludes the Sigma Information, the Investigating Accountant's Report and any other report or opinion prepared by an external adviser to Sigma or Chemist Warehouse. |
| Chemist Warehouse Retail Network | Chemist Warehouse Australian Franchise Network stores, Other Retail Brands stores, New Zealand Retail Network stores, Ireland Retail Network stores, China Retail Network stores and Dubai Retail Network stores. |

| Term | Meaning |
|---|---|
| Chemist Warehouse Retail Network Sales | in-store and online sales across the Chemist Warehouse Retail Network, as well as online sales fulfilled directly by Chemist Warehouse. |
| Chemist Warehouse Share | a fully paid ordinary share in the capital of Chemist Warehouse. |
| Chemist Warehouse Share Register | the register of members of Chemist Warehouse maintained by the Chemist Warehouse Registry in accordance with the Corporations Act. |
| Chemist Warehouse Share Registry | Computershare Limited (ACN 005 485 825). |
| Chemist Warehouse Shareholder | a person who is registered as the holder of a Chemist Warehouse Share in the Chemist Warehouse Share Register. |
| CHESS | Clearing House Electronic Subregister System operated by ASX Settlement. |
| China Retail Network | Chemist Warehouse stores operated in China through services agreements with local companies. |
| CIM | has the meaning given in Section 6.6.5.2. |
| Completion or Completion of the Offer | Completion in respect of the issuance of Offer Shares in the Offer. |
| Conditions Precedent | the conditions set out in Schedule 3 of the Merger Implementation Agreement. |
| Control | has the meaning given in section 50AA of the Corporations Act, disregarding subsection 50AA(4). |
| Corporations Act | *Corporations Act 2001* (Cth). |
| Corporations Regulations | *Corporations Regulations 2001* (Cth). |
| Court | the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Sigma and Chemist Warehouse. |
| CPA | the community pharmacy agreement between the Commonwealth and the Pharmacy Guild. |
| CSO | Community Service Obligations. |
| CSO Deed | a deed of agreement with the Commonwealth under which CSO distributors, including Sigma, agree to meet certain obligations in order to receive payments from the CSO funding pool. |
| CW Retail Services | CW Retail Services Pty Ltd (ACN 606 509 791). |
| Disclosure Documents | 1. Scheme Booklet;<br>2. Sigma Notice of Meeting; and<br>3. Prospectus |
| DDS | Discount Drugstores Pty Ltd (ACN 067 616 826). |
| Dollars and $ | unless the context requires otherwise, Australian currency. |
| Dubai Retail Network | partly owned Chemist Warehouse branded retail pharmacies in Dubai. |
| EBITDA | earnings before interest, tax, depreciation and amortisation. |
| Effective | when used in relation to the Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme. |
| Effective Date | the date on which the Scheme became Effective, being 4 February 2025. |
| End Date | 31 March 2025. |
| Escrow Arrangements | the voluntary escrow arrangements described in Section 9.8. |
| Escrow Period | the applicable period for which Escrowed Shares are subject to the Escrow Arrangements. |

# Annexure C. Glossary continued

| Term | Meaning |
|---|---|
| Escrowed Shareholders | a person holding an Escrowed Share (as set out in Section 9.8). |
| Escrowed Shares | the Sigma Shares which are subject to Escrow Arrangements. |
| ESG | environmental, social, and governance. |
| Existing Related Party Arrangements | has the meaning given in Section 6.6.1. |
| Existing Related Persons | has the meaning given in Section 6.6.2. |
| Existing Related Person Franchisee | each pharmacy in which the Existing Related Person has an interest. |
| Existing Related Person Franchise Agreements | each Franchise Agreement entered into with an Existing Related Person before the date of the Sigma Notice of Meeting. |
| Existing Related Person Leases | a Head Lease is with an Existing Related Person as at the date of the Sigma Notice of Meeting. |
| Existing Related Person Licences | an Occupancy Licence is with an Existing Related Person as at the date of the Sigma Notice of Meeting. |
| Expiry Date | 13 months after the Prospectus Date. |
| FATA | *Foreign Acquisitions and Takeovers Act 1975* (Cth). |
| Financial Information | has the meaning given in section 4.1 |
| First Escrow Period | has the meaning given in Section 9.8.1. |
| Fit-out Leases | has the meaning given in Section 6.6.5.3. |
| FMCG | fast-moving consumer goods. |
| FOS product | any product which is not a prescription product or an OTC product and which is of a kind that is typically, or may be, carried in pharmacies and which may also be sold through general retail stores. |
| Franchise Agreement | a franchise agreement based on the Pro Forma Franchise Agreement in respect of their Chemist Warehouse franchise pharmacies. |
| Franchising Code | Franchising Code of Conduct, a mandatory industry code under the Competition and Consumer Act. |
| Future Related Party Dealings | has the meaning given in Section 6.6.6. |
| Future Related Party Dealings Framework Period | has the meaning given in Section 6.6.6. |
| FY or Financial Year | in relation to the Merged Group or Chemist Warehouse, refers to the 12 months ending 30 June in the relevant year, and in relation to Sigma, refers to the 12 months ending 31 January in the relevant year. |
| general retail store | a retail store that is not a pharmacy and which sells FOS products to consumers. |
| Government Agency | any government or governmental, semi-governmental, administrative, monetary, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world. |
| GST | has the meaning given in the GST Act. |
| GST Act | the *A New Tax System (Goods and Services Tax) Act 1999* (Cth). |
| GST Law | has the same meaning as in the GST Act. |
| Head Lease | a lease between Chemist Warehouse and a commercial landlord for properties used by Chemist Warehouse Franchisees to operate a Chemist Warehouse pharmacy. |

| Term | Meaning |
|---|---|
| HMC | HMC Capital Limited. |
| IASB | International Accounting Standards Board. |
| IBC Protocols | has the meaning given in Section 6.6.7. |
| IFRS | International Financial Reporting Standards as issued by the International Accounting Standards Board. |
| Implementation | the transfer of all of the Chemist Warehouse Shares to Sigma, and issue of the Scheme Consideration to Scheme Shareholders by Sigma. |
| Implementation Date | the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by Chemist Warehouse and Sigma or is ordered by the Court or required by ASX, currently expected to be 12 February 2025. |
| Industry Data | data relating to the industries, segments, sectors and channels in which the Merged Group will operate. |
| Institutional Investors | investors outside of the United States who are:<br>1. persons in Australia who are wholesale clients under section 761G of the Corporations Act and either 'professional investors' or 'sophisticated investors' under sections 708(11) and 708(8) of the Corporations Act; or<br>2. institutional investors in certain other jurisdictions, as agreed by Sigma and the Lead Manager, to whom offers of Sigma Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which Sigma is willing in its discretion to comply). |
| Investigating Accountant | PricewaterhouseCoopers Securities Ltd. |
| Investigating Accountant's Report | the report prepared by the Investigating Accountant in connection with the Offer included at Section 8, and includes any update, revision, amendment or supplement to that report. |
| Ireland Retail Network | partly owned Chemist Warehouse branded retail pharmacies in Ireland. |
| KMP | Sigma Directors, the Proposed Directors and any other person mentioned in Section 6.4. |
| LFS Plan Rules | has the meaning given in Section 6.5.3.1. |
| Licence Fee | has the meaning given in Section 6.6.4 |
| Loan Funded Share | a Sigma Share acquired under a Sigma Incentive Plan using a loan provided by Sigma. |
| LTI | long term incentive. |
| LTI Right | has the meaning given in Section 6.5.3.1. |
| LTI Rights Plan Rules | has the meaning given in Section 6.5.3.1. |
| LTI Rights Plans | has the meaning given in Section 6.5.3.1. |
| LTI Term | has the meaning given in Section 6.5.3.1. |
| Merged Group | the merged Chemist Warehouse Group and Sigma Group formed upon Implementation. |
| Merged Group Board | the board of directors of Sigma immediately following Implementation. |
| Merged Group Director | a person who will be a director of Sigma immediately following Implementation of the Transaction. |
| Merged Group Pro Forma Historical Financial Information | the Merged Group Pro Forma Historical Income Statements together with the Merged Group Pro Forma Historical Statements of Cash Flow and the Merged Group Pro Forma Historical Statement of Financial Position. |
| Merged Group Pro Forma Historical Income Statements | the Merged Group pro forma historical consolidated income statements for FY22, FY23 and FY24. |
| Merged Group Pro Forma Historical Statement of Financial Position | the Merged Group pro forma historical consolidated statement of financial position as at 30 June 2024. |

# Annexure C. Glossary continued

| Term | Meaning |
|---|---|
| Merged Group Pro Forma Historical Statements of Cash Flow | the Merged Group pro forma historical consolidated cash flow information for FY22, FY23 and FY24. |
| Merger Implementation Agreement or MIA | the Merger Implementation Agreement dated 11 December 2023 between Sigma and Chemist Warehouse, a copy of which was released to the ASX on 11 December 2023. |
| Merger Undertaking | has the meaning given in Section 5.2.1. |
| MPS | Sigma's medical packaging service. |
| My Beauty Spot | has the meaning given to it in Section 6.6.5.1. |
| NAB | National Australia Bank Limited. |
| Network Store | a store in the Chemist Warehouse Retail Network. |
| New Zealand Retail Network | partly owned Chemist Warehouse branded retail pharmacies in New Zealand. |
| New Zealand Retail Network Sales | in-store and online sales across the Chemist Warehouse New Zealand Retail Network, as well as online sales fulfilled directly by Chemist Warehouse in New Zealand. |
| NPSA | has the meaning given in section 2.5.1.7.3. |
| NSW | New South Wales. |
| NSW Documents | the NSW Services Agreement, NSW Supply Arrangement, NSW Trade Mark Licence and a version of the Occupancy Licence tailored for NSW. |
| NSW Services Agreement | has the meaning given in Section 9.6.1.1.4. |
| NSW Supply Arrangement | has the meaning given in Section 9.6.1.1.5. |
| NSW Trade Mark Licence | has the meaning given in Section 9.6.1.1.6. |
| Occupancy Licence | the occupancy licence, under which Chemist Warehouse licenses the underlying property to a Chemist Warehouse Franchisee to use a property for their pharmacy business. |
| Offer | the offer of new Sigma Shares by Sigma under this Prospectus. |
| Offer Closing Date | the date by which Applications must be lodged for the Offer, being 11 February 2025, unless varied. |
| Offer Opening Date | the date by which Applications may first be lodged for the Offer, being 11 February 2025, unless varied. |
| Offer Price | the price payable for an Offer Share under the Offer, being $2.90 per share. |
| Offer Period | the period commencing on the Offer Opening Date and ending on the Offer Closing Date. |
| Offer Shares | new Sigma Shares to be issued under the Offer. |
| OHS | occupational health and safety. |
| OIO | Overseas Investment Office. |
| online-only pharmacy | business premises from which pharmacists dispense prescription products on prescription for delivery to customers who have provided an e-script to the online-only pharmacy, whether or not other products are also sold via the relevant online channel, where the premises is not open to the public. A pharmacy which also dispenses by mail order is treated as a pharmacy. |
| OTC product | a product which can only legally be purchased in a pharmacy and not in a general retail store, but which does not require a prescription. In Australia, this includes products specified in Schedule 2 or Schedule 3 of the Poisons Standard. |
| Other Retail Brands | Ultra Beauty and Optometrist Warehouse. |
| PBS | Pharmaceutical Benefits Scheme. |
| pharmacy | a retail store at which pharmacists dispense prescription products on prescription, whether or not other products are also sold from the store. |

| Term | Meaning |
|---|---|
| pharmacy business | the enterprise which is conducted at a pharmacy or online-only pharmacy. |
| Pharmacy Guild | the Pharmacy Guild of Australia. |
| Pipeline Stores | stores that have been acquired by a pharmacist with the intention of becoming a Chemist Warehouse or My Chemist franchisee in due course, and which receive services from the Merged Group under a service arrangement until such a time as they enter into a franchise agreement with Chemist Warehouse. |
| Poisons Standard | Standard for the Uniform Scheduling of Medicines and Poisons. |
| prescription product | a product which can only legally be purchased where a health practitioner (generally a doctor, senior nurse or dentist) has issued a prescription for the product to a patient. In Australia, this includes products in Schedule 4 or Schedule 8 of the Poisons Standard. |
| Pro Forma Franchise Agreement | the Merged Group pro forma Franchise Agreement between CW Retail Services and a Chemist Warehouse Franchisee. |
| Proposed Directors | the persons who will join the Merged Group Board upon Implementation of the Transaction (being Mario Verrocchi, Damien Gance, Jack Gance and Danielle Di Pilla). |
| Prospectus | this document (including the electronic form of this document) and any supplement to, or replacement of, this document. |
| Prospectus Date | 10 February 2025. |
| Related Body Corporate | has the meaning given in section 50 of the Corporations Act. |
| Related Party | a person identified in Listing Rule 10.1, including directors of Sigma and those persons who hold more than 10% of Sigma Shares. |
| Related Party Governance Framework | the governance framework which governs the basis on which:<br>1. Future Related Party Dealings; and<br>2. amendments to, or renewals of, the Existing Related Party Arrangements or Future Related Party Dealings,<br>may occur. |
| Related Party IBC | the independent committee of directors established by the Board to oversee the related party arrangements. |
| Related Party Loan | has the meaning given in Section 6.6.5.3. |
| Related Party Manual | has the meaning given in Section 6.6.7. |
| Related Party Working Group | has the meaning given in Section 6.6.7. |
| Retail Network | Australian Franchise Network stores, Other Retail Brands stores, New Zealand Retail Network stores, Ireland Retail Network stores, China Retail Network stores and Dubai Retail Network stores. |
| retailing | sale of prescription products, OTC products and FOS products to consumers. |
| Scheme | the scheme of arrangement under Part 5.1 of the Corporations Act between Chemist Warehouse and the Scheme Shareholders, substantially in the form of which is attached as Annexure 4 of the Scheme Booklet, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and such other form as agreed to in writing between Chemist Warehouse and Sigma. |
| Scheme Booklet | the document being the explanatory statement in respect of the Scheme, which has been prepared by Chemist Warehouse in accordance with section 412 of the Corporations Act. |
| Scheme Consideration | the consideration to be provided by Sigma to each Scheme Shareholder for the transfer to Sigma of each Scheme Share, as set out in the MIA. |
| Scheme Record Date | 7.00pm (Melbourne time) on 6 February 2025. |
| Scheme Shareholder | a Chemist Warehouse Shareholder as at the Scheme Record Date. |
| Section | means a section of this Prospectus. |

| Term | Meaning |
|---|---|
| Seed Loans | has the meaning given to it in Section 6.6.5.3. |
| Settlement | the settlement in respect of the Offer Shares the subject of the Offer. |
| Sigma | Sigma Healthcare Limited (ACN 088 417 403; ASX:SIG). |
| Sigma Board | the board of directors of Sigma. |
| Sigma Constitution | the constitution of Sigma as in force at the date of this document. |
| Sigma Director | a person who is a director of Sigma as at the date of this Prospectus (being Michael Sammells, Vikesh Ramsunder, Chris Roberts, Annette Carey, Neville Mitchell and Kate Spargo). |
| Sigma Franchise Model | has the meaning given in Section 3.2.5.2.2. |
| Sigma Franchise Network | Amcal and DDS branded stores. |
| Sigma Group | Sigma and each of its Controlled entities, and a reference to a **Sigma Group Member** or a **member of the Sigma Group** is to Sigma or any of its Controlled entities. |
| Sigma Historical Financial Information | the Sigma Historical Income Statements together with the Sigma Historical Statements of Cash Flow and the Sigma Historical Statement of Financial Position. |
| Sigma Historical Income Statements | the Sigma historical consolidated statements of profit or loss for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and the half years ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024. |
| Sigma Historical Statement of Financial Position | the Sigma historical consolidated statement of financial position as at 31 July 2024. |
| Sigma Historical Statements of Cash Flow | the Sigma historical consolidated cash flow information for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and the half years ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024. |
| Sigma Incentive Plan | an equity-based incentive plan of Sigma (as described in Section 6.5.1). |
| Sigma Incentive Securities | has the meaning given in Section 6.5.1. |
| Sigma Independent Expert | Grant Thornton Corporate Finance Pty Limited, being the independent expert appointed by Sigma to prepare the Sigma Independent Expert's Report, in accordance with clause 6.3(a) of the Merger Implementation Agreement. |
| Sigma Independent Expert's Report | the report prepared by the Sigma Independent Expert for inclusion in the Sigma Notice of Meeting opining on whether the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable and the reasons for holding that opinion, and includes any update, revision, amendment or supplement to that report. |
| Sigma Information | the entirety of the information included in this Prospectus (or any supplement or replacement) other than the Chemist Warehouse Information, the Investigating Accountant's Report and any other report or opinion prepared by an external adviser to Sigma or Chemist Warehouse. |
| Sigma Notice of Meeting | the notice of meeting and explanatory memorandum to be sent to Sigma Shareholders in respect of the Sigma Shareholder Meeting, which will contain (among other things) the Sigma Independent Expert's Report. |
| Sigma Performance Right | a right to acquire a Sigma Share subject to the satisfaction of any applicable performance hurdles and/or vesting conditions. |
| Sigma Share | a fully paid ordinary share in the capital of Sigma. |
| Sigma Share Register | the register of members of Sigma maintained by the Sigma Share Registry in accordance with the Corporations Act. |
| Sigma Share Registry | MUFG Corporate Markets (AU) Limited (ACN 083 214 537). |
| Sigma Shareholder | a person who is registered as the holder of a Sigma Share in the Sigma Share Register. |
| Sigma Shareholder Meeting | the meeting of Sigma Shareholders that was held on 29 January 2025 to consider and vote on the Sigma Transaction Resolutions. |

| Term | Meaning |
|---|---|
| Sigma Supply Agreement | supply agreement between Sigma and Chemist Warehouse that commenced on 1 July 2024. |
| Sigma Transaction Resolutions | the following resolutions:<br>• the ordinary resolution of Sigma Shareholders under ASX Listing Rule 11.1.2 in respect of the significant change to the nature and scale of Sigma's activities;<br>• the ordinary resolution of Sigma Shareholders under ASX Listing Rule 7.1 in respect of the approval of the issuance of Sigma Shares in connection with the Scheme;<br>• the ordinary resolutions of Sigma Shareholders under ASX Listing Rule 10.1 in respect of the approval of the Existing Related Party Arrangements and the Related Party Governance Framework;<br>• the special resolution of Sigma Shareholders for the purposes of section 260B(2) of the Corporations Act to approve the financial assistance to be provided by the Chemist Warehouse Group in connection with the Transaction arising from, amongst other things, their accession to, and their giving of guarantees and security in respect of, the facility under the Debt Facility Agreement;<br>• the ordinary resolutions of Sigma Shareholders under clause 3.4 of Sigma's constitution to appoint each of the Chemist Warehouse nominees to the Sigma Board nominated in accordance with clause 11 of Merger Implementation Agreement; and<br>• any other resolutions the parties agree are required or desirable in connection with the Transaction. |
| Standard Pricing | has the meaning given in Section 6.6.3. |
| STI | short term incentive. |
| STI Right | has the meaning given in Section 6.5.2. |
| STI Rights Plan Rules | has the meaning given in Section 6.5.2. |
| STI Rights Plans | has the meaning given in Section 6.5.2. |
| STI Term | has the meaning given in Section 6.5.2. |
| Subsidiary | has the meaning given in Division 6 of Part 1.2 of the Corporations Act. |
| Substantial Interest | has the meaning given in Section 9.11.2. |
| Successful Applicant | an Applicant or Institutional Investor who is issued or transferred Offer Shares under the Offer. |
| Tax | any tax, levy, charge, impost, fee, deduction, goods and services tax, compulsory loan or withholding, stamp, landholder, transaction or registration duty or similar charge that is assessed, levied, imposed or collected by any Government Agency and includes any interest, fine, penalty, charge, fee or any other amount imposed on, or in respect of, any of the above. |
| TFN | tax file number. |
| TGA | Therapeutic Goods Administration. |
| Third Party | a person other than Chemist Warehouse, Sigma or their respective Related Bodies Corporate. |
| Trading Terms | has the meaning given Section 6.6.3. |
| Transaction | The merger of Chemist Warehouse and Sigma by way of the acquisition of all the Scheme Shares by Sigma through the implementation of the Scheme in accordance with the terms of the Merger Implementation Agreement. |
| Westpac | Westpac Banking Corporation. |
| wholesaling | sale of prescription products, OTC products and FOS products by any business other than a manufacturer of the product (including by an importer of the product) to any customer other than a consumer. |
| Working Group Protocols | has the meaning given in Section 6.6.7. |
| 1PWA | has the meaning given in section 2.5.1.7.3. |

# Corporate directory

## Sigma's registered office

Level 6,
2125 Dandenong Road,
Clayton VIC 3168

## Legal Adviser

### Gilbert + Tobin

Level 35, Tower 2
200 Barangaroo Avenue,
Barangaroo NSW 2000

## Auditor

### Deloitte Touche Tohmatsu

Level 24
477 Collins Street,
Melbourne VIC 3000

## Sigma Share Registry

### MUFG Corporate Markets (AU) Limited (ACN 083 214 537) A division of MUFG Pension & Market Services

Tower 4, 727 Collins Street,
Docklands VIC 3008

## Investigating Accountant

### PricewaterhouseCoopers Securities Ltd

2 Riverside Quay,
Southbank VIC 3006

## Tax Adviser

### KPMG

Level 38, Tower 3
300 Barangaroo Avenue,
Barangaroo NSW 2000

Sigma Healthcare

Stop Paying Too Much!!
CHEMIST WAREHOUSE
DISCOUNT CHEMIST